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FINANCIAL MANAGEMENT

JUNE 1951

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Story and pictures
of Credit Congress



NACM' 48th President . . . See page 3

A publication of

The National Association of Credit Men

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Report on

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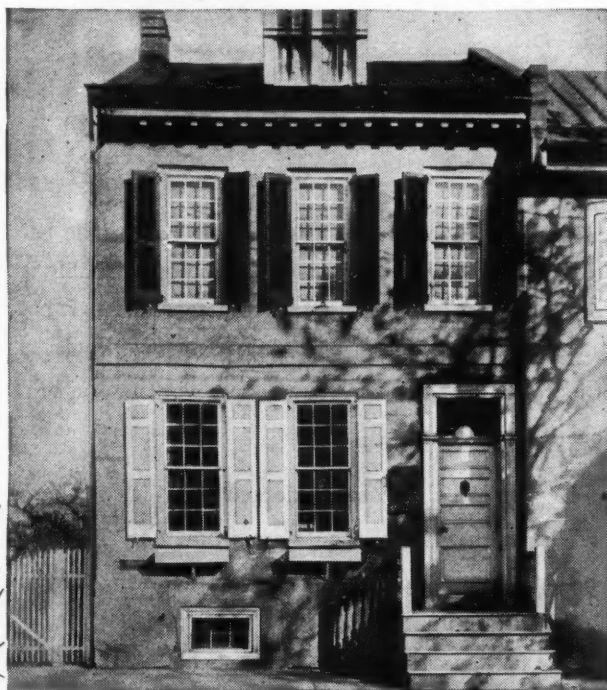
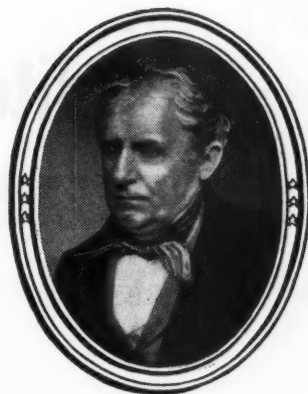


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James Fenimore Cooper

AMERICA'S FIRST SUCCESSFUL NOVELIST



Author of more than thirty novels, many travel books and countless pamphlets, James Fenimore Cooper had no literary aspirations until he was thirty and wrote his first book only because he could never refuse a dare. When an inferior novel prompted him to declare that he could write a better one, his wife challenged him to try, and Cooper went to work to prove his point. The resulting novel, however, was most unfavorably received.

If Cooper's first book had been successful, probably he would never have attempted another, but characteristically he "made the stumbling-block the stepping-stone." Although he doubted that a story with an American setting would be popular, "The Spy," his second novel, was acclaimed both here and abroad.

Cooper was born in Burlington, New Jersey, in 1789 and the following year moved with his family to a settlement at Cooperstown, New York, which had been established by his wealthy and prominent father. From a boyhood spent in this region, still a wilderness inhabited by Indians, James acquired the frontier lore on which he based his "Leather-Stocking Tales."

A member of the class of 1806 at Yale, Cooper left at the end of his third year to ship before the mast, and that voyage was followed by several years as midshipman in the U. S. Navy. This experience was responsible for Cooper's sea stories which, despite friends' warning that they could not be made interesting, proved highly successful and started a new school of fiction.

By an odd coincidence the house where Cooper was born adjoins the birthplace of another American associated with the sea. That man was Captain James Lawrence, the naval hero who, as commander of the *Chesapeake* during the War of 1812, uttered the famous words, "Don't give up the ship."

Cooper's last years were spent for the most part at Cooperstown where he died in 1851. His birthplace, under the custody of the Burlington County Historical Society, is a lasting memorial to America's first outstanding novelist.



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Editorial



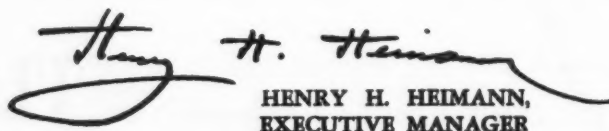
Consistency, thou art a jewel!

ONCE again we have adopted daylight saving time. On the whole our people believe this to be in the interest of their health and pleasure and unquestionably it is here to stay. But that it does make for some confusion is an accepted fact. It has puzzled a great many people to understand why it was necessary to move the clocks ahead in order to get the benefit of more daylight hours. Many people work by the sun. The farmer has done that most of his life.

Much confusion could have been avoided had a plan been adopted by which working hours would be advanced an hour. If urban working hours are from 9 to 5 in the wintry months why could they not be made from 8 to 4 in the summer months? Why is it necessary to turn the clock forward?

Some will contend, and probably properly so, that everyone would not join in daylight saving if we adopted such a plan. They say that we need the full force of law and an actual change of time to put daylight saving into effect. If a stranger, however, were to be in our midst and had never heard about moving the clock ahead I think he would wonder why an intelligent group of people once having made up their minds that they would go to work an hour earlier and quit an hour sooner in the evening could not do this without moving the clock ahead!

At least it might be said for the stranger that his reasoning would be much more logical than our present system.

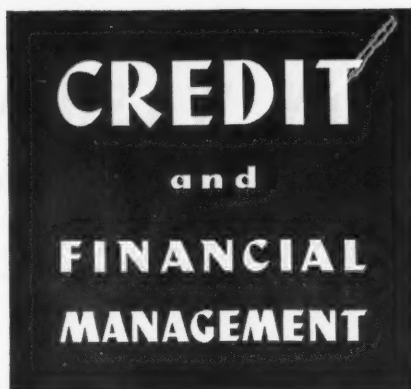
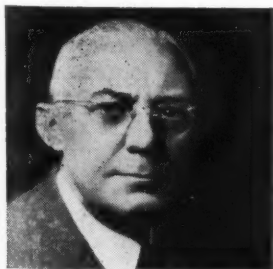

HENRY H. HEIMANN,
EXECUTIVE MANAGER

THIS MONTH'S COVER

On Thursday, May 17, Lorne D. Duncan was elected president of the National Association of Credit Men. On Monday, May 21, he was in the National office — now changed to 229 Fourth Avenue, New York 3, incidentally — conferring with the National's staff.

Few city editors would be particularly enchanted with that as a piece of news but it does give you some idea of the man. He had been elected to a job, and the job was being done—forthwith.

A more complete story of Lorne Duncan's election will be found on page 29. But it is apposite here to extend to our new president the best wishes of the officers and directors, both local and national, of the secretary-managers and — this in a still, small voice for they are a very anonymous crowd — the national staff.



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THIRTY DAYS IN WASHINGTON

A check list of items of interest to Financial Executives

TAXES. The House Ways and Means Committee finished its tentative voting on the provisions of a prospective 1951 tax bill and turned them over to experts for drafting into bill form. Committee officials said that the experts would not have a draft ready for final voting by the committee before June 5 or 6 at the earliest. A bill therefore could not be voted on by the House before the middle of June.

"FAIR TRADE" LAWS: On May 21 the U. S. Supreme Court ruled that minimum resale price contract between wholesalers and retailers are not binding on those who do not actually sign such contracts. In a 6-3 decision the Court thereby invalidated the "Non-Signer" provisions of the Fair Trade Laws of forty-five states.

The decision came as the result of a suit brought by the Schwegmann Bros. of New Orleans who had been selling the products of some distillers below prices which the distillers had set under the Louisiana Fair Trade Laws.

The majority opinion held that the state act is not exempt from the Sherman Anti-Trust Act by virtue of the Miller-Tydings amendment of 1937. Since there is no "Non-Signer" provision in the federal law only "contracts or agreements prescribing minimum prices for resale" are exempted by the Miller-Tydings Act.

The day following the Supreme Court's decision on the Louisiana Fair Trade case a spokesman for the Department of Justice stated that an individual manufacturer may choose his own customers, without violating Sherman Anti-Trust Act. The spokesman stated that the whole case arose out of a single deficiency in the draftsmanship reflected in the Miller-Tydings Act and that that deficiency is readily correctible by Congress.

NPA AMENDS REGULATION 4: On May 22 the government boosted by 20% the amount of money business firms can spend on defense-rated orders for maintenance, repair and operating supplies.

The National Production Authority in an amendment to its regulation 4 said organizations may use D0-97 ratings for up to 120% of the amount spent for maintenance, repairs, operating supplies during the base period. NPA officials explained that its action was due to increased prices and accelerated programs.

EXTENSION OF OPS ORDERS: On May 23 the Office of Price Stabilization extended from May 28 to July 2 the effect of CPR-37, the cotton textile order, CPR 22, the Manufacturers' order, and CPR 30, the Machinery order. This extension will allow manufacturers covered by these three orders the option of pricing under them by May 28 if they so desire. However, no price increase can be put in effect until fifteen days after a firm has filed a proposed higher - than - GCPR price with OPS.

THE LAW OF THE LAND.

The following laws were enacted during the month:

S. 998. PUBLIC LAW 30-1st Session-82nd Congress. Approved by The President May 15, 1951. This Act, amending the Assignment of Claims Act of 1940, was recommended by the Federal Reserve Board. Its provisions are designed to strengthen a procedure used in World War II under which contractors obtained loans for use in the performance of government contracts and as collateral for such loans assigned to the lending institutions the money due from the government. The financial institutions were assured that any money paid to them under the assignments were not subject to later recovery by the government for claims against the contractor. Recent rulings of the Comptroller General have cast doubt on this assurance and have made lending institutions reluctant to make this type of loan.

The Act is intended to make clear that lending institutions are protected from later recovery by the government for debts of the assignor on such items as fines, penalties, taxes and social security-contributions, of money received by the assignee under an assignment from a contractor.

H. R. 3291. PUBLIC LAW 31-1st Session-82nd Congress. Approved by The President May 16, 1951. This Act amends Section 34a of the Bankruptcy Act by providing that upon the expiration of his term, a referee shall continue to perform the duties of his office until his successor is appointed and qualifies provided the filling of the vacancy has been authorized by the Judicial Conference of the United States. The sole purpose of the Act is to prevent a lapse in referee service.

H. R. 3292. PUBLIC LAW 32-1st Session-82nd Congress. Approved by The President May 16, 1951. This Act amends Section 55a of the Bankruptcy Act relating to the place for holding of the first meeting of creditors in any bankruptcy proceeding. The purpose of the Act is to permit the court to fix a place within the judicial district for holding the meeting, not unreasonably inconvenient for the parties in interest.

NEW OPS RULING: On May 10 the Office of Price Stabilization issued an order providing adjustment procedures for any manufacturer operating at an over-all loss because of any OPS order. This order, General Overriding Regulation 10 is not intended to provide adjustment for loss resulting from factors other than ceiling prices such as seasonal, temporary, or non-recurring factors, uneconomical operations, illegal wage payments and the like.

GOR-10 is an across the board order applying to all manufacturers in the United States regardless of what ceiling price order covers them. This order does not prevent any producer from taking advantage of special adjustment features of any other order under which he is covered.

LETTERS TO THE EDITOR

Everberg is unclear

When we read on page 13 of the May issue Carl B. Everberg's statement "The question as to where title is in the above transactions is not always clear. *This is not too important, however*; whether title is in the seller or buyer, the security lies in the fact that the buyer does not have the right of possession until he meets your requirements." This statement literally jumped at us.

We think that there should be some swift clarification of this statement, as speaking from a credit man's point of view it has always been drummed into us that the "risk of loss is in he who has title" and it naturally follows, as the night the day, that every risk should be insured, or in some way protected. Following that chain of thought, we felt it would be *exceedingly important, and should be clearly understood, where* the title was, especially, for example, if a carload of merchandise should burn at a siding.

Chapter 106 of the General Laws of Massachusetts, section 24, states "Unless otherwise agreed the goods remain at the seller's risk until the property therein passes to the buyer, but when the property therein has so passed, the goods are at the buyer's risk whether delivery has been made or not, etc."

We all know there is a very important distinction between "title" and "possession" and the word "property" as used generally in Massachusetts decisions means "title."

Let me repeat that a good rule of thumb we always understood was "he who has title has the risk, and he who has the risk should insure it," notwithstanding the controversial *right* of possession.

We stand to be corrected, but on the other hand, we hope that no one will be led astray or become incautious by Mr. Everberg's statement and we would rather call it to Mr. Everberg's attention this way and have it clarified through your columns.

It is true that the question of risk as considered in this article is confined to one of credit, but credit men

today have been taught to guard against all risks such as fire, theft, pilferage and the rights of attaching creditors.

Very truly yours,

EDWARD J. MATTHEWS, Treasurer
Sager Electrical Supply Company

(Editor's note: Mr. Everberg has been writing for this publication regularly for almost six years. In all that time the clarity of not one single statement has been questioned—a remarkable record, and particularly for a lawyer! We passed Mr. Matthews' letter to him and this is his reply.)

I am sorry that I left something to implication in my statement in the recent remarks on the control of the risk of credit through the use of B/L's. (By the way, I have not yet received the May issue, but I am looking at the copy of the mss. and I believe I am safe in taking that to be identical with the printed product.) As Mr. Matthews points out, I said: "The question as to where title is in the above transactions is not always clear. This is not too important, however;" . . . Now, I was talking about the risk of the credit, and I was not thinking about the matter of the risk of loss. Thus, to have made it more explicit, I should have inserted a parenthetical phrase as follows: "This is not too important (looking at the debtor's ability to pay), however; whether title is in the seller or the buyer, the security lies in the fact that the buyer does not have the right of possession until he meets your requirements."

Mr. Matthews is absolutely correct when he points out that, so far as the risk of loss is concerned, the location of title is important. I was merely pointing out that even though title had passed, the seller could keep the goods from getting into the debtor's possession by one of these B/L devices. That was why I said it was not too important whether title had passed.

Now, it is true that it is not always clear as to where title is in these transactions. For example, in the Mass. statute (c. 108, s. 38 (b) it is stated that if by the bill the goods

are deliverable to the seller or to his agent, or to the order of the seller or his agent, the seller reserves the property in the goods. Yet, in the next sentence it states, that if, except for the form of the bill, the property would have passed to the buyer on shipment of the goods, the seller's property in the goods shall be deemed to be only for the purpose of securing performance by the buyer of his obligations under the contract [in other words, the title does pass].

So the question whether the title passed in a certain transaction, in which goods were shipped by a straight B/L, might depend on a hundred different factors, and it might take the Supreme Court to finally say whether the title passed or not. So, in such a case, where is the risk of loss? Perhaps if the shipper insures the goods, it will be evidence that it was not the intention that title should pass.

Parties to sales transactions frequently do not know where the title is. This is because under the law of Sales, there are not only many arbitrary rules for determining the location of title but these rules have been subjected to much interpretation by the courts; besides this, no matter how well the documents are spelled out, the parties sometimes act in contradiction to the terms of the contract, and this is enough to vary what the parties believed might be the case, in some instances.

Because this has been one of the most vexatious incidents of the law of Sales, the drafters of the proposed Uniform Commercial Code have abolished the notion that risk of loss follows title. Many credit men will have to reorient their thinking on this subject if the Commercial Code on Sales is adopted in their respective states. Briefly (and only very briefly) under the proposed Code, if the seller is not guilty of a breach, and if he has not specifically agreed to deliver the goods at the buyer's place, the risk of loss in all cases will pass to the buyer when goods are delivered to the carrier, whether title has passed or not (and unless the parties have made an agreement contrary to such rule). The underlying theory of these proposed rules will be that the seller has contracted to deliver the goods to the carrier, and having done so, he has fully performed his agreement.

What Shall We Do in Asia?

By Dr. WALTER H. JUDD

Congressman from the Fifth District of Minnesota

WHEN I was invited three months ago to address you on this subject we could hardly have anticipated how "hot" a question it would be today.

Generals MacArthur, Marshall and Bradley have been debating in Washington their answers to the question. Perhaps I should not venture into the arena with such big league company. But because our very survival may well depend on whether we get the right answer to the problem of what to do in Asia, and because I have had first hand contact with the Communist movement there beginning 24 years ago, I make bold to express some strongly-held views on the subject, views based not on speculation or theorizing, but on hard, painful, first-hand experience.

Our two aims

Our two main aims are to win the war in Korea with maximum speed and minimum losses in men and money and to avoid another World War. Many people assume the two aims are in conflict—that it must be one or the other, and that in order to avoid a world war we must not really try our best to win the war which armed communist aggression is waging in Asia against the free world.

Some of us take the opposite view. We believe the two aims are not in conflict—that the winning of the war for Asia decisively and promptly offers the best hope of preventing a war for the world. Conversely, to let the war for Asia drag on indecisively, or to let the Kremlin satellites win control of east Asia would permit Moscow to turn its full attention to Europe or the Middle East, with little or no chance that it could be defeated there.



Dr. Judd, a native of Nebraska, spent many years as a medical missionary in China where he first arrived in 1925. He and his staff ran a 125 bed hospital through a communist revolution and the Japanese invasion. He came home in 1938 to preach the gospel of resistance to Japanese aggression. Since 1942 he has represented the fifth district of Minnesota in Congress.

For the decision of the hard-headed men in the Kremlin to start or not to start World War III will not depend on whether we insult or soothe their feelings—they were not brought up in the age of chivalry and do not live by its codes. It will depend on whether we allow our side in the world to get weak enough or their side strong enough so that they think they can win. Therefore, we must prevent any further gains in strength by the Kremlin. That means, first of all, that we must find ways to halt the expansion of armed Communism in Asia—which is the

This is the text of Rep. Judd's speech before the 55th annual Credit Congress. Be warned: it is long as articles in this publication go. But it is well worth reading. Don't start it if you are not prepared to finish it.

place where it is expanding—and begin the process of weakening its hold on the areas already conquered.

To try to end the war in Asia by yielding, no matter by what attractive face-saving device, would be to start, not prevent, war in Europe or the Middle East.

Let's Start at the beginning

In a time of such confusion, the way to begin an analysis is to get back to fundamentals. We must establish priorities here as in so many other fields. What is the first objective of an intelligent nation's foreign policy? Surely it must always be one thing—to preserve the nation's security.

Conceivably, we can solve all our credit problems and our housing problems and old-age problems and health problems and education problems, and get better highways and greater development of our natural resources and all the other things we are properly concerned about; but if we don't safeguard the security of the nation and we have too frequent wars, and especially if we are defeated or bleed ourselves white in wars or in mobilization for war, then there isn't a one of those domestic achievements that will long be worth anything to anybody.

Foreign policy failure

Well, if the first business of a nation's foreign policy is to give it security, we have to admit that our foreign policy has not been successful. For we do not have security.

When the military phases of war are fought with such brilliance that we win total unconditional surrender of all enemies and then that victory is lost within five years after it is won, the political conduct of the war and the post-war period

must have been very bad indeed.

Why have our political relations with the rest of the world, our diplomacy, been handled so badly? The major reason was just plain ignorance—failure or refusal in high places to recognize the nature, the objectives and the methods of the ruthless forces at work against us in the world, and to govern ourselves accordingly.

Instead of facing reality we nourished illusions. The first was this: that the way to get peace is to disarm ourselves and weaken our allies, while building up our enemies by giving them pieces of other people's territory. We did that with Japan. France and Britain did it with Germany. And then we did it again with the Soviet Union. We made the same fatal mistakes twice in one decade.

Policy founded on fallacy

Why did we do it? Because of a second illusion, namely, that the Soviet Union is a peace-loving democracy. It is understandable how some people came to that conclusion. During the war, their thinking—if you call it that—went like this: "We are fighting Hitler; we are a democracy. The Soviet Union is fighting Hitler; therefore, it is a democracy." But that conclusion simply doesn't follow.

I don't begrudge a cent of the money or a bit of the assistance we gave to the Soviet Union during the last war when it was fighting Hitler. It saved tens of thousands of American lives. It was right for us to help it against our first enemy at that time—the Axis. It was wrong for anybody to assume that because the Soviets were fighting Hitler in order to save their own necks, they therefore believed in the kind of world that we believe in, and would cooperate with us at the end of the war to build a good society.

In order to prove to them our good will and thereby supposedly win theirs, we weakened ourselves, sacrificed our principles—remember the Atlantic Charter!—and made secret deals with the gangsters at the expense of loyal allies. Such a course could only lead to disaster. It has already cost more than 11,000 innocent American lives and brought greater insecurity than ever before in our history.

Let us end, once and for all, the notion that the Kremlin or any of its satellites is or can be a peace-loving democracy. Nothing in the 500-year history of Russian expansion at the expense of its neighbors, nothing in the Communist documents which are their Scriptures, as *Mein Kampf* was the Bible of Hitler, nothing in the experience of those like Chiang Kai-shek or Petkov or Masaryk or our own leaders, who tried their best to get along with the Kremlin and its followers, justifies any such tragically erroneous assumption.

Fallacy compounded

A third miscalculation was the belief that the independence of China and of Asia was less essential to our security than the independence of Western Europe. As a result, our Government abandoned what had been the sound policy designed to give us security on our west—maintaining the Open Door in China.

For almost a hundred years, our Government, under whichever political party, had insisted on the independence of China and supported whatever Chinese government was in power—whether good, bad, or indifferent—rather than permit China's potential might to come under the control of an outside power that might be hostile to us. There were only two such nations in Asia—Japan and Russia. The hard facts of Asian geography made it impossible for either of them to threaten us so long as China, in their rear or on their flank, remained independent and friendly to the United States.

In pursuit of that sound policy, William McKinley and Theodore Roosevelt supported the Manchu Dynasty, as corrupt as ever existed anywhere, against the imperialist powers of Europe.

Wilson too

Woodrow Wilson, in 1915, supported the Yuan Shih-Kai Government which was unspeakably bad, rather than let Japan impose on China the Twenty-one Demands.

Elihu Root and Charles Evans Hughes at the 1921-22 Washington Conference, continued to base our whole Far Eastern Policy on support of the independence of China,

even though all it had at that time was a half-dozen rotten war lord governments.

And Franklin D. Roosevelt and Cordell Hull supported the Chiang Kai-shek Government, which was by far the best China had had in hundreds of years, to the extent of going to war with Japan, rather than let Japan's militarists get control of the territory, resources and manpower of China and then the rest of East Asia, to develop for use against ourselves.

The idea that Europe is more essential to our security than Asia rose from a fourth unproved assumption: The belief that industrial capacity is the controlling factor in determining world power.

Western Europe does have the second best workshop in the world. But a workshop is no good without raw materials; and Western Europe does not have them in anything like adequate supply. Furthermore, we can't furnish them—out of 79 essential war materials we ourselves now have to get part or all of 64 abroad.

The factors of power

There are five main factors of power, not just one.

First, *Morale*, which one can't measure concretely, but which I believe today is far higher among the Communists than in the free world.

Second, *Productive capacity*, where we now lead, but where the other side can gradually catch us, as they proved when they constructed the A-bomb.

The other three are *territory*, *raw materials* and *manpower*. In these three, they will be far ahead if they get Asia, and the Middle East and Africa which will certainly follow—unless we ourselves go to war to defend them.

Thus, the Soviets can catch us in the one field where we lead. We can never catch them in the three where they will lead!

We tend to worship the machine and neglect the men, resources and territory which are also necessary if we would prevent war, or be able to wage it successfully.

Still more fallacies

A fifth miscalculation was the belief that we can keep Europe independent, secure and friendly, even

if Asia is taken over by the Soviet Union and its fifth columns. Or to put it another way, that we and the Western Europeans can protect their workshop and their skilled manpower by efforts in *Europe alone*. But that is to underestimate two other deterrents to Soviet attack on Western Europe, which many believe are even stronger. One is this: our air strength from relatively protected bases. What the Kremlin fears most certainly is not what our side's land forces can do to Russia's land forces in Western Europe, but rather what our air forces can do to her factories, communications, and cities in Russia, operating from air bases in England behind the English Channel, Spain behind the Pyrennes Mountains, and North Africa behind the Mediterranean and Red Seas. We should do as much as possible of our fighting where we are best able to get at them and they are least able to get at us.

The other major deterrent to all-out war is to have stronger resistance forces in China, Korea, Japan—Russia's Asia flank—so as to compel her to divide her strength between two widely separated areas and fight a most difficult two-front war if she starts one. However tenuous, vulnerable and limited in capacity are our communications across the Pacific, Russia's across Siberia are far more so.

A struggle of ideas

Some of us have long advanced the thesis that the most important issue at stake in World War II—and in World War III if by default we permit it to develop—is this: whose ideas are to dominate in the development of the underdeveloped areas of the world?

Hitler and Japan understood this. The Communists have understood it from the beginning. Lenin in 1923 wrote: "In the last analysis, the outcome of the world struggle will be determined by the fact that Russia, India and China, and so forth, constitute the overwhelming majority of the population of the globe."

Where are the main undeveloped areas in the World? South America, Africa and Asia. But only Asia has great undeveloped natural human resources.

Which system will the billion people in Asia follow in their development—the Soviet system or the free system of the West? That is likely to be the decisive question of our century.

As China goes . . .

Which way Asia goes depends largely on what happens in China. Why? In large part because of geography. East Asia is like a great 12-fingered hand. From China, all the major countries are fingers—Korea, Japan, Formosa, the Philippines, Indo-China, Malaya, Burma, India, etc. Whether we like it or not, the crucial area in Asia always has been and still is—China. Why did those in authority in our Government forget that—for the first time in our history?

Right after V-J Day, the Daily Worker published the Kremlin's instructions to the Communists in this country: That "the key task is to stop American intervention in China" (which is Communist lingo for stop American assistance to China).

They knew, as everyone else should have known, that without the right kind of assistance, including moral support from us, the Chinese Government could not possibly recover. It had been through too much stress and strain, beginning with the Japanese attack in 1937 when it had not yet had time or opportunity to become strong. It had had to struggle with too much poverty, too much illiteracy, too much provincialism, too much traditionalism, too long a Japanese war and occupation, too much Communist sabotage and rebellion, too much inflation, too much hunger and disease, too many millions of displaced persons, along with too few trained civil servants and administrators, too few who understood that nationalism means putting country ahead of family—a brand new idea in China—and so on and on.

After eight years of war with Japan, and 20 years of internal struggle with Communists, China could not possibly recover without patient support and assistance of the right sort from us—any more than Greece could, or Italy could, or Formosa could. Even Britain would have gone down if we had

not not come to her aid with enormous quantities of money and material, in comparison with which China's needs were small indeed.

The Kremlin's big task

What other task could be as vital to the Kremlin's plans for conquest of Asia, then of Europe and then of ourselves, as that of beguiling Americans into withholding our support, sympathy and effective assistance from our weakened ally, as it tried almost singlehandedly to hold the line against Communist subversion and internal aggression?

The Daily Worker summed it up in this sentence: "The war in China is the key of all problems on the international front . . ."

Not Japan, not Germany, not the Mediterranean, not the Balkans, not the oil of the Middle East, not the North Atlantic or any of the other areas where we have focused our efforts—but China.

While we were seeking to forget China and its troublesome war against Communists, the Kremlin was working to win that war and the crucial victory, which it knew that would represent, in its never-ending warfare against us and all the free world.

Look for a moment at the skillful methods it used here in America to help achieve its ends in Asia.

Legends . . .

One highly successful technique was to put over the belief that Communists in Asia were different—simple agrarian reformers. The Communist movement in China was pictured as just a spontaneous, indigenous, peasant uprising against alleged landlordism, warlordism, medieval feudalism, and the rest. Therefore, Communist victory in what was misrepresented as merely a civil war between two factions within China was not to be feared or considered dangerous to our security. Chinese Communists were said to be first Chinese and second, Communists. Since Chinese Communism was only a benign agrarian movement—not at all a part of or subservient to the Kremlin and its vast conspiracy to conquer the world. Therefore, the Communists would doubtless be just as friendly to us, and probably better for the

(Continued on page 27)

THESE GREAT TIMES

By ERWIN D. CANHAM

Editor of the Christian Science Monitor, Boston

YOU and I and all the rest of us in the free and partly free world are living in one of the great-opportunity moments of history. Just now our national thinking is in a maze of confusion. The problem is to snap out of it. Our task is to awaken each and all to the true nature of this crisis, and to what we can do about it in terms of individual and group action.

First: what is the crisis? Putting it into broad and revealing terms, it is the age-old conflict between those who say the state is greater than man, and those who say man is greater than the state—greater than anything else under God. Indeed, the conflict is to some extent between those who believe that individual man himself represents an infinite and imperishable value, and those who deny all infinite and imperishable value, including God and Truth itself. Least of all is the crisis of our time a power-political struggle between the U.S. and the U.S.S.R. And yet we have permitted much of the world to think of the conflict as between two imperialisms—or, worse, between capitalism and communism. Nothing could be farther from the truth. The struggle is between the age-old idea of freedom and the age-old idea of slavery—between a belief in idealism and spiritual values and a doctrine that is profoundly materialistic.

Second: What can we do about it? Well, we can awaken to the true facts of the present situation, and proceed to carry out in action a program that can prevent another world war and can insure the survival of individual freedom and opportunity.

Let us, then, take a hard look at the facts.



Dr. Canham is one of the United States' leading writers. Born and educated in New England he has been with the Christian Science Monitor since 1925 when he started as a reporter. He covered the League of Nations in 1926-1928 and after various assignments became head of the Monitor's Washington Bureau in 1932. After many progressive steps he was appointed to his present editorial responsibilities in 1945.

Where does our power lie?

We see our own nation emerging from a period of doubt and uncertainty. We see western Europe in the same mood, even more dubious and uncertain. We see confident Communism spreading steadily into the soft spots of the globe. We see total Communism possibly in possession of enough physical power to push us out of Asia (not just China), and able to push free government out of western Europe as well, although at the risk of considerable retaliation.

But we see several important deterrents to this use of Communism's

physical power. We still have some time. If we use it rightly, I believe we can still prevent a third world war and pave the way for a period of growing understanding and stability.

We ourselves have two great sources of power. One is fundamental and one is derivative. The fundamental power we have is the power of free men and free society. The derivative power—and we have it because we are free—is still the physical striking power of the atomic bomb. But the bomb is not itself power. The power lies in the capacity of free inquiry and organization which produced the bomb, and which the totalitarians were later able to copy. (The natural scientists who were driven out of Europe by racial persecution and the denial of free inquiry might well have produced the bomb first for Hitler and Mussolini. We must be careful not to stifle free inquiry and free teaching here.)

How time works for us

And in addition we have all the other elements of physical action which men in a free society can produce. We have been rudely aroused by events in Korea, and we are proceeding to organize and apply this power so that we will have force enough with which to repel aggression. If we do this job effectively, there need be no war, if you accept the assumption that there is still some margin of time. For some months it depends on the Kremlin. If there is no margin, we must do the best we can, and fight for freedom on whatever terms are available. In the end, even then, freedom will win, but it could be a hard fight.

There are several reasons, in addition to our atomic bomb stock-pile, why we may have a margin of time. One is that the Russians, and in particular Marshal Stalin himself, have always had a great respect for industrial potential. Their own industrial potential is still believed by experts to be less than they would deem necessary before launching a major war. Another reason is that—regardless of our atomic bomb stock-pile—the Russians themselves need a minimum number of bombs to do the job of aggression and surprise. It is reasonable to assume they do not have that number of bombs now. Another reason why the Russians may not strike soon toward a world war is that they are doing altogether too well without war. Satellite and subversive action are serving the Russians effectively. They might be expected to continue such successful tactics, without taking the grave risk of a major war.

We are the revolutionists!

Now, you will see that I am weaving together here two approaches: the moral approach and the physical approach. I believe they are completely interrelated. For Americans the immediate problem is a moral awakening: a clearing of the air. What does that mean? Well, I think we have to go back to the simple fundamentals. The Communists have cast over human thinking a blanket of confusion. They tell mankind that they are revolutionaries, and that we are reactionaries, defending the status quo. If that were true, we would be licked at the start. But that is the opposite of the truth.

The fact is that our system is the true revolution, and that Communism—like totalitarianism of any kind—is reaction, is part of the same tyranny by which kings and emperors and dictators have tried to tie man to the chariot-wheel of the state down through the ages. Our system sets men free. Their system puts men into chains—physical chains, and worst of all, mental chains.

Where are the chains?

A century ago, Marx and Engels in the Communist Manifesto said:

"The proletarians have nothing to lose but their chains. They have a world to win." Where, in today's world, are the people in chains? Is it in the United States, where the proletariat (hateful word), where working people have more authority and more share in government and a better standard of living and more genuine freedom than ever before?

Certainly we have unsolved and only partly solved problems, such as that of race relations. We always have unsolved problems, always have a hill up which to climb. But we have made a lot of progress; we are on our way even in race relations.

Not in the Western World!

Are the people in chains in Great Britain, where labor's own government has held or shared power off and on for a quarter-century? Is man in chains anywhere in the western world half as much as he is in the world's most extensive Communist state, the Soviet Union, where tragic millions, suffering and dying, are wearing the literal chains of slave labor and prison camps?

Where are the chains today? Where are the mental chains? Are they in the free universities or the free churches of the western world? Or are they in the Communist states, where government is the source of every law, every truth, every norm of conduct, every social and economic relationship, and where no science, no music, no economic activity, no philosophy, no art, no theology, is to be permitted unless it is state-licensed and state-controlled?

We must prove our system best

That kind of police state is not revolution in the true and noble and traditional sense of that word. It is blackest reaction, as old as the hills. Now the great importance and value of our system is that its mind is free, it is capable of self-criticism, of self-improvement, of internal challenge, of perfectibility. We can do a far better job of setting men free than we have ever done, and this generation should dedicate itself to the task of doing it. I do not mean a crusade to the ends of the earth. I mean first and foremost awakening in our own thinking here

in America, and proving by example that the free system holds the seeds of liberty for all mankind.

But because I emphasize the significance of free society in action here in America is not to ignore the challenge in far-away places. With other deeply involved nations doing their full share, we must carry out our treaty obligation to defend western Europe. If we prepare with determination to do this job, I believe we will never actually be faced by such a war.

In terms of human experience, as far as our understanding has yet elevated us, the best way to avoid a war is to be willing to fight it if we have to. This is as true of nations as it is of individuals. And that is part of the necessary awakening. Some people are telling us we should hole-up in "Fortress America" and await the worst. That would be a fatal step. That would concede Europe and Asia to the Communists with all their vital resources and skills—the Ruhr and probably Japan. We could not hope to resist successfully such a combination of power. But we have no need to limit our own capacity of resistance in this way. We can continue in a grand alliance of free or would-be free men—the states of Western Europe, and part of Asia. Yet of course some of them are as confused now as some of us are.

We must go forward

Let us, then, awaken out of this confusion by reminding ourselves that we are the true revolutionaries of history, that we have the power of free society and free men in our grasp, and that we must put these dynamic truths into action. It is a sober calculation. I grant you that there are dangerous months ahead. But I have given you the estimates of the best authorities I could consult that the Russians are not likely to strike in a major way in the near future. We may be wrong. But we must go forward. If we show sufficient determination, I believe there is the chance to create a balance of forces temporarily in the world. In such a period of stalemate, I believe we should do our utmost to demonstrate the values of self-government and the free system to all wavering parts of the world. I believe in the long run this would

lead to the modification of the communist system itself, which has already changed greatly since 1917

There are excellent peace terms we could offer the Soviet Union, and they include no need or vestige of appeasement. We offer them full right of development and progress within their own area. We only ask that they do not enslave other peoples now free. We ask for the right of self-choice for the nations around the Soviet borders who have been conquered and overthrown. This may seem a lot to ask, but it could be worked out on terms which would not endanger the security of the Soviet Union in the least. China could be permitted to evolve in its own way—to make the choice between Communism and the free system which it has not yet by any means decided. Under these proposals—which could be greatly elaborated to give the Russians fullest assurances of development and progress within their own area—the world could stabilize. Nobody would benefit more than the Russians themselves. In the end—I must be frank—I believe freedom would win out there too, but by an evolutionary process not necessarily involving the early overthrow of the 14 men in the Kremlin.

This is the challenge

We all face a mighty challenge. It is not the challenge of making war, but of being willing to make war in order to preserve peace. Maybe some day—surely some day—we will evolve into a better way of doing these things. In the words of a recent Archbishop of Canterbury, there is a case for pacifism, but there is no case of waging war ineffectively. At this stage of human thinking and experience, I do not believe we really have the chance of choosing pacifism, but I respect deeply all who think so. I remain convinced that to choose pacifism today would be to doom the world to conquest by communism, and it would be a long time before we would be free from that yoke.

Similarly, if we withdraw and permit western Europe to fall into Communist hands, it will be a long time before it is free again, and it will be immensely difficult if not impossible to preserve freedom here.

That is why I think that the United States and western Europe must recapture their joint morale, and go ahead speedily to take the steps necessary to make Russian aggression suicidal. The Russians are shrewd and realistic, and I am sure they would choose our peace terms rather than a major world war.

And this the opportunity

Our generations face a mighty opportunity. It is in the final analysis the third chance of this century to make a lasting peace. Twice before we have tried. Once we failed totally. It is too soon to say whether we have failed to make peace this second time or not.

A limited war is underway in Korea; a cold war is underway everywhere. Our job—through strength—is the task of preserving peace. It will interrupt our private lives. If we are quick enough and strong enough and determined enough we may well not have to fight. But if we have to fight, that will be an opportunity too, an opportunity brave men have taken down through all the years of history. We want to make that kind of sacrifice unnecessary and impossible. I think it is still possible that we can do so.

We must clear our thinking

But first and foremost we must clear our own thinking, and that will help to clear that of our allies, too. Let us clear it by reminding ourselves that we have the doctrine and the system, proved in action, that really sets men free—that is the real revolution. We should be singing the songs and waving the banners and writing the poems.

Our revolution goes back a long way: to the revelation of One God and One Law, in the Ten Commandments, on the hills of Palestine to prophets of Israel. Our revolution continues, on those same hills, with the revelation of Jesus Christ and his doctrine of love and brotherhood of all mankind. It continues with the experience of orderly government we adapted from the Greeks and the Romans. It is enriched by the human traditions of western Europe. On our own continent it was carried forward through new frontiers of freedom,

with the aid of waves of rich human resources and cultures coming to the new world from the old. This tradition of ours is no mere doctrine, no unsupported ideal. We have proved it in practice. We prove it daily in our free—and perfectible, and self-critical—institutions.

It is to this truth that we must awaken. Once we realize our own basic and truly spiritual power, we can apply it in action effectively and overwhelmingly. We can lift the spirits of men now in darkness. We can weld together the forces of freedom, for everywhere in their hearts men yearn to be free even if freedom is expressed—as it may well be—in the need for a bowl of rice and some rags to wrap around your feet. Our system shows men how to get the rice and the rags and spiritual freedom too. Not our system narrowly viewed—not just an American system—but the common tradition of constitutional self-government which the free world and the partly free world are striving toward.

We can prevent war

The next few years may be the most enriching years of our lives. We may be saving values that have been a long time a-building. We may be saving ourselves and all that we all hold precious. We may—and I think we can and will—prevent a third world war by being ready for it if it comes, but striving at all times, as citizens, to support the wisdom and statecraft which may be able to avert the war if we have strength enough not to invite aggression.

I know that armament races traditionally lead to wars. I know also that balances of power have preserved peace for long periods in human history. We can turn a balance of power into an overwhelming preponderance if we once teach the world the meaning of free society. We must understand and utilize in the world the flaming sword of an idea: the idea of freedom, put into daily practice. Your physical efforts, plus your comprehension and our mutual dissemination of that idea, can turn today's darkness into tomorrow's light.

This is the text of Dr. Canham's speech before the 55th annual credit congress.

A Program for

Voluntary Credit Restraint

Editor's note: In a covering letter sent to the members of the Business Advisory Council for the Department of Commerce, its chairman, Robert T. Stevens, wrote:

It is generally agreed that the fight against inflation is of equal importance with our military preparedness effort as a national policy to preserve individual freedom and our free institutions.

An important part of the fight against inflation is the Program for Voluntary Credit Restraint sponsored by the Board of Governors of the Federal Reserve System. The financial community has given its overwhelming support to this program but it cannot succeed without the unreserved support of actual and potential borrowers.

In order to implement this program by securing the cooperation of potential borrowers, the Secretary of Commerce, at the request of Defense Mobilizer C. E. Wilson, has made certain proposals looking toward an educational program with business groups.

The recommended standards for approval or rejection of loans by credit institutions are contained in this program for Voluntary Credit Restraint.

While these standards relate to credit extension, it is also important that corporate managers apply them in the commitment of retained earnings. It is estimated that such earnings may amount to nine billion dollars in 1951, and unwise use of any significant portion would seriously aggravate the inflationary problem.

Preamble

The task of restraining strong inflationary pressures is one of the most difficult and most important in the whole range of economic problems today.

One part of this task—the restraint of unnecessary credit expansion—presents a challenge to the financing institutions throughout the nation.

Section 708 of the Defense Production Act of 1950 authorizes the President to encourage financing institutions to enter into voluntary agreements and programs to restrain credit, which will further the objectives of that Act. By executive order, the President has delegated to the Board of Governors of the Federal Reserve System his authority with respect to financing under this section of the Act upon the required condition that it consult with the Attorney General and with the

Chairman of the Federal Trade Commission, and that it obtain the approval of the Attorney General before requesting actions under such voluntary agreements and programs.

At the invitation of the Board, and in company with it, representatives of the American Bankers Association, the Life Insurance Association of America and the Investment Bankers Association of America have been examining the possibilities of this method of credit restraint.

While it is recognized that the proposed Program is addressed only to one limited source of inflationary pressure, the vital importance of this problem to the stability of the economy, and the necessity to extend credit only in such a way as to restrain inflationary pressures outside the financing of the Defense Program should be emphasized to all financing institutions.

It is appropriate to point out that

this Program of voluntary credit restraint does not have to do with such factors as inflationary lending by federal agencies, unnecessary spending, federal, state or local, and the wage-price spiral and other much more seriously contributing factors. These should be vigorously dealt with at the proper places. It assumes that the proper governmental authorities will exercise the requisite fiscal and monetary controls.

Definitions

As used herein:

The terms "financing institution" or "financing institutions" mean banks, life insurance companies, investment bankers engaged in the underwriting, distribution, dealing or participating, as agents or otherwise, in the offering, purchase or sale of securities, and such other types or groups of financial institutions as the Board of Governors of the Federal Reserve System may invite to participate in the Program.

The terms "loan," "loans," "lending" and "credit," in addition to their ordinary connotations, mean the supplying of funds through the underwriting and distribution of securities (either on a firm commitment, agency or "best efforts" basis), the making or assisting in the making of direct placements, or otherwise participating in the offering or distribution of securities.

Statement of Principles

Pursuant to the provisions of Section 708(a) of the Defense Production Act of 1950, and with the approval of the Board of Governors of the Federal Reserve System in accordance with the functions delegated to it by Section 701(a) (2) of Executive Order 10161, this Statement of Principles has been drafted to which all financing institutions are asked to conform.

It shall be the purpose of financing institutions to extend credit in such a way as to help maintain and increase the strength of the domestic economy through the restraint of inflationary tendencies and at the same time to help finance the defense program and the essential needs of agriculture, industry and commerce.

Inflation may be defined as a condition in which the effective demand for goods and services exceeds the available supply, thus exerting an upward pressure on prices.

Any increase in lending at a more rapid rate than production can be increased exerts an inflationary influence. Under present conditions of very high employment of labor, materials and equipment, the extension of loans to finance increased output will have an initial inflationary effect; but loans which ultimately result in a commensurate increase in production of an essential nature are not inflationary in the long run whatever their temporary effect may be. It is most important, however, that loans for nonessential purposes be curtailed in order to release some of the nation's resources for expansion in more vital areas of production.

Criteria for Loans

Cooperation with this program of credit restraint makes it increasingly necessary for financing institutions to screen loan applications on the basis of their purpose, in addition to the usual tests of credit worthiness. The criterion for sound lending in a period of inflationary danger boils down to the following: Does it commensurately increase or maintain production, processing and distribution of essential goods and services?

In interpretation of the foregoing, the following types of loans would be classified as proper:

1. Loans for defense production, direct or indirect, including fuel, power and transportation.
2. Loans for the production, processing and orderly distribution of agricultural and other staple products, including export and import as well as domestic, and of goods and services supplying the essential day-to-day needs of the country.
3. Loans to augment working capital where higher wages and prices

of materials make such loans necessary to sustain essential production, processing or distribution services.

4. Loans to securities dealers in the normal conduct of their business or to them or others incidental to the flotation and distribution of securities where the money is being raised for any of the foregoing purposes.

This Program would not seek to restrict loans guaranteed or insured, or authorized as to purpose by a Government agency, on the theory that they should be restricted, in accordance with national policy, at the source of guaranty or authorization. Financing institutions would not be restricted in honoring previous commitments.

These Should Be Turned Down

The following are types of loans which in general financing institutions should not make under present conditions, unless modified by the circumstances of the particular loan so as not to be inconsistent with the principles of this program:

1. Loans to retire or acquire corporate equities in the hands of the public, including loans for the acquisition of existing companies or plants where no over-all increase of production would result.
2. Loans for speculative investment or purchases. The first test of speculation is whether the purchase is for any purpose other than use or distribution in the normal course of the borrower's business. The second test is whether the amounts involved are disproportionate to the borrower's normal business operations.* This would include speculative expansion of real estate holdings or plant facilities as well as speculative accumulation of inventories in expectation of resale instead of use.

The foregoing principles should be applied in screening as to purpose on all loans on securities not covered by Regulations U or T.

Recognizing that the maximum estimate of the percentage of our 1951 production which will be devoted directly or indirectly to national defense is between 20 per

*Loans additional to those needed for a borrower's normal business may, of course, be regarded as proper when they are for the purpose of defense production or otherwise conform to the types of loans listed as proper in this Statement of Principles.

cent and 30 per cent, a very substantial proportion of the lending of the country will be devoted to the financing of the production and growth of our industrial and commercial community. In these circumstances, it is felt that each financing institution can help accomplish the objectives outlined above by careful screening of each application for credit extension.

In carrying out such screening, financing institutions should not only observe the letter of the existing regulations of the Board of Governors of the Federal Reserve System with respect to real estate credit, consumer credit, security loans, etc., but should also apply to all their lending the spirit of these and such other regulations and guiding principles as the Government may from time to time announce in the fight against inflation.

This Program is necessarily very general in nature. It is a voluntary Program to aid in the over-all efforts to restrain inflation. To be helpful, this Program must rely on the good will of all financing institutions and the over-all intention to comply with its spirit.

Procedure for Implementing the Program

Pursuant to the provisions of Section 708(b) and (c) of the Defense Production Act of 1950, and upon full compliance with the terms and conditions thereof:

1. A "Voluntary Credit Restraint Committee" (hereinafter referred to as "the Committee") will be appointed by the Board of Governors of the Federal Reserve System (hereinafter referred to as "the Board"). Members shall be appointed for such terms as the Board may prescribe. Initially, the Committee will consist of twelve members, four representing the life insurance companies, four representing the investment bankers, and four representing the banks. The membership of the Committee may from time to time be expanded as deemed advisable or appropriate by the Board to insure adequate representation thereon of other types of groups of financing institutions which may participate in the Program. The Board may appoint one or more alternates from each group to serve on the

(Continued on page 44)

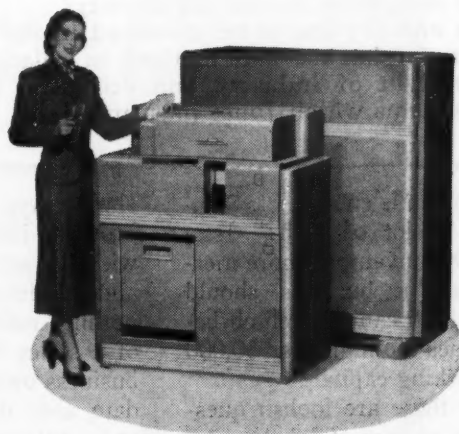


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Comparisons Yield The Answer

by HELEN M. SOMMERS

Credit Manager,
Trojan Hosiery Mills, Indianapolis

This is the question

(1) *If the factors enumerated below continue their respective trends as revealed by successive financial statements and paying records, is it probable that this business will have the necessary cash to retire its liabilities and expenses of all kinds for the next six months as they become due or within an average of thirty days thereafter?*

(a) Amount and rate or conversion of trading assets	In relation to	Maturing liabilities and expenses
(b) Amount of working capital	In relation to	Changing needs of the business
(c) Increases or decreases in working capital	Brought about by	Retained profits Withdrawals in excess of profits Losses Investment in Fixed Assets Long-term debt changes

(2) If the answer to (1) is *yes*, can we expect Jones to maintain these favorable trends?

(3) If the answer to (1) is *no*, can we expect Jones to reverse the trends that contribute to that 'no' answer?

Both (2) and (3) are to be answered in the light of the trend of Jones' past persistence and method in relation to past problems; and in the light of industry and economic trends that will pose the new problems which Jones must meet.

HOW much is enough? Is \$25,000 "a lot of cash?" Is a \$35,000 inventory more merchandise than a business should have? How high can debt climb before it becomes too high? Is \$50,000 adequate working capital?

Obviously these are foolish questions because as they stand they are unanswerable. About all we can suitably reply to any of them is, "That all depends upon the facts involved." All values are relative, yet how often we find somebody trying to evaluate a financial statement as if it were a list of independent items!

Facts alone are insufficient

The amounts stated on a balance

sheet, even after they have been brought into close correspondence with the actual values of the assets and liabilities they represent, are still nothing more than an enumeration of a series of "facts" about what a business owned and owed at a given date, until those facts are related by at least three sets of comparisons. To try to extract their meaning as individual items, without relating them to each other, to preceding facts, and to facts outside the business, is dangerously misleading. And the danger is not that isolated facts have no meaning (which would be true if facts *could* be isolated) but that facts *won't* be isolated, either inside our heads or in the actual world about

us. (Thus \$25,000 not considered in relation to the needs of a business might become "a lot of money" by some unconscious comparison.)

Having, in the past several chapters, examined our financial statement from an extensional point of view—i.e. in relation to the facts which the figures represent—and having by re-arrangement, adjustment, trimming off the fat, etc., brought the figures into closer correspondence with those facts, we are now ready to make them yield more useful information by comparing them in various ways to each other and to other figures. As we do this we will find a way to answer (a), (b), and (c) of our crucial question of credit analysis and ultimately the whole question. (See opposite.)

Direction of analysis

The trading-cycle and financing charts on these pages highlight the following fundamentals which will dictate the direction of our analysis:

(1): We start with the self-evident premise that operating expenses (plus labor in the case of a manufacturer) make the first demand upon the cash account of a going business that wants to keep going. In general if anybody has to wait for his money it won't be the landlord, employee, utility company, etc., as long as there is cash to pay them.

(2). Because the conversion of merchandise into cash goes on at a day-to-day pace, while expenses "come in bunches," the cycle has to start with and maintain a back-log of cash for anticipated expenses (CE in all figures), lest the wolf knock at the door and demand his rent or wages at an embarrassing time. For purposes of analysis, but subject to modification according to the particular business concerned and the



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OLD GRAND-DAD

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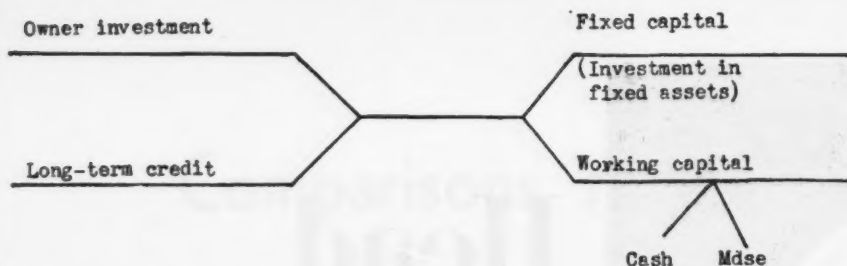


Fig. 1. THE FINANCING FACTS OF LIFE AT THE BIRTH OF A BUSINESS. Owner investment and long-term credit, when used, unite to provide funds for fixed assets and working capital, the latter in the form of (1) cash for current operating expenses, and (2) cash outlay for that part of the opening stock which will not be financed by merchandise creditors. (See June, 1950 chapter).

Figure 1

quick availability of bank credit, we will consider the minimum for safety to be the equivalent of month's operating expense (and one month's manufacturing labor, if any).

(3). If a safety margin of this kind is to be maintained, (and it must be if the business remain in healthy balance) then out of the funds realized from sales, (C, Fig. 2), merchandise—and raw-material-creditors can expect to be paid, at maximum, only that portion that remains after average expenses are deducted. Substantially the same applies to the repayment of seasonal bank loans, which, as shown in Fig. 3, are only another step in the trading cycle.

(4) If profits are being earned (Fig. 4) we cannot assume that they will be plowed back into the business to pay merchandise creditors. Hence in addition to expense, they too should be deducted in computing the portion of sales income which will be used to retire merchandise—or raw-material-debt, and seasonal bank loans.

(5). Since, in the normal course of business, income from sales goes to pay (1) expenses, and (2) current creditors for the cost of merchandise or raw material, the only element of sales that is left to retire long-term debt is profit, if any. Hence long-term loans must be liquidated out of profit if current debt and expenses are met on time.

While temporary shifts in the channeling of income can and do take place without serious effect in actual operations, any protracted deviation results in dislocation and financial imbalance. Hence if we break sales income down into the elements suggested here and apply them to successive financial statements, we have

a legitimate measure for the sizing up of liquidity on a long-term basis.

Now to work!

We can now begin our attack on section (a) of our crucial question by posing the following problem and showing its solution:

Problem:

Could accounts payable at statement-date be paid within terms if average daily sales continue at the level of the year just ended?

Solution:

(1). Let ADNI stand for average daily net income available to retire merchandise and raw-material debt. It is determined as follows:

$$\text{ADNI} = \frac{\text{Year's sales minus exp.,*} \\ \text{mfg. labor,* and profits*} \\ \text{if any}}{365}$$

(2). Let MC stand for minimum cash required for one month's operating expense (plus labor if the business manufactures.)

$$\text{MC} = \frac{\text{Year's exp.* and mfg. labor*}}{12}$$

(3). Deduct MC from cash at statement date. Also deduct tax reserves if no special funds have been set aside to pay them. The remainder becomes excess cash (XC) that could immediately be applied to the payment of accounts payable.

(4). Then:

* Use actual operating figures if available. If not, apply to annual sales the percentage breakdowns characteristic of the industry from the background data you have developed. Foulke gives these rough breakdowns: Mfg.: Raw mtl. 50%; labor 35%; exp. and net profit 15%. Retail: cost of goods 70%; exp. and net pr. 30%. Wholesale: cost of goods 85%, exp. and net profit 15%. (p. 151, Roy A. Foulke, Practical Financial Statement Analysis, McGraw-Hill Book Co., Inc., 1945). See also schedule 6, p. 154, same book.

$$\frac{\text{Accounts payable minus XC**}}{\text{ADNI}} = \text{number of days needed to retire accounts payable}$$

(5). Now subtract the answer to step (4) from average net purchase terms in days. If the answer is zero, accounts payable could probably be paid within terms. If the answer is a minus figure, that many day's average slowness could be expected. If a plus figure, accounts payable could probably be paid that many days ahead of due-date.

Remember that these answers, however, hinge upon whether sales can be expected to continue at the rate maintained for the year just ended. To forecast this probability compare annual sales volume for as many previous years as available and trace the trend. Also compare to current market activity in the industry at large.

Same for cash or credit

It will be noted that the problem and its solution have been worked out for a cash business. But if goods are sold on credit terms, no special difficulties are presented. If average-collection-period remains steady from statement to statement (see Feb. 1951 issue for this analysis), collections are coming in at a rate corresponding to average daily credit sales, and no change would be made in the solution.

If, on the other hand, collections

** (Note, if XC is a deficit, add it to accounts payable)

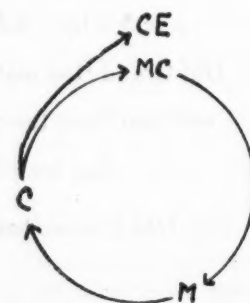


Fig. 2. A SIMPLE TRADING CYCLE. While cash on hand at the beginning of the cycle (CE) is being spent for operating expenses, credit (MC) is exchanged for merchandise (M), which is sold in turn for cash (C). (C), in turn, becomes the source for paying merchandise creditors (MC), and for replenishing (CE) for the next cycle. When the business is a manufacturing unit, (CE) has to cover both operating expense and labor.

Figure 2

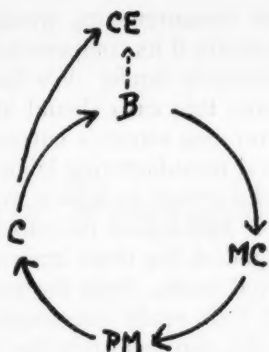


Fig. 3. SEASONAL BANK LOAN. Bank credit (B) is drawn upon to provide extra cash (CE) for peak-season expense, and to pay merchandise creditors (MC) for peak-season cash (C) provides the means of repaying merchandise (PM), which, when sold for bank (B) and replenishing (CE) for normal needs.

Figure 3

are not keeping pace with credit sales, then average daily income would be something less than average daily sales. The number of days' increase in average-collection-period as between two statements a year apart, divided by 365 equals the percent daily lag, or the percent deduction to be made from daily sales in determining ADNI.

Complications

Now when seasonal bank loans exist, the problem becomes somewhat more involved. However, a rough index to repayment possibilities of bank loan and accounts payable may be worked out as follows:

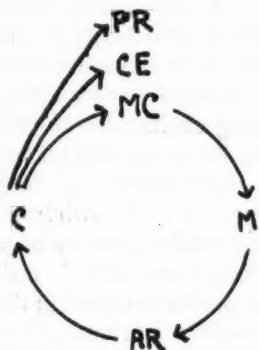


Fig. 4. WHEN THE CYCLE RESULTS IN A PROFIT. Cash realized from the sale of merchandise then flows into three main channels: (1). What the goods cost goes to merchandise creditors. (2) CE is replenished by the operating expenses sustained. (3) the remainder becomes profit (PR) which is siphoned off or absorbed as shown in Fig. 5. If the business is a manufacturer, cost of raw material pays merchandise creditors (MC), and CE must be replenished to the extent of both operating expenses and labor. Note that credit sales (AR) have been introduced as an intermediate step in the cycle between (M) and (C).

Figure 4



CREDIT INSURANCE COMPLETES YOUR PROGRAM OF PROTECTION!

MANY companies have seen their full year's profits wiped out by credit losses. That's why companies in over 100 lines of business now complete their insurance programs with Credit Insurance.

American Credit pays you when your customers can't... protects you against their inability to pay due to floods, strikes, lawsuits, material shortages, Government restrictions, other unpredictable events. And American Credit enables you to get cash for past due accounts... improves your credit standing with banks and suppliers. (Important benefits if you are operating at high volume on limited working capital!)

An American Credit Policy can be tailored to your own particular needs... insuring all, a specific group, or just one account.

Why SAFE Credits Need Protection

This book helps you plan sound credit policy, gives more facts about American Credit Insurance. For your copy just call our office in your city, or write to AMERICAN CREDIT INDEMNITY COMPANY OF NEW YORK, Dept. 47, First National Bank Building, Baltimore 2, Maryland.

J. A. W. Fadden
PRESIDENT



OFFICES IN PRINCIPAL CITIES OF
THE UNITED STATES AND CANADA

Steps (1), (2), (3), proceed as above.

(4).

$$\frac{\begin{array}{l} \text{Accts. payable} \\ \text{plus bank loans} \end{array} \quad \left. \vphantom{\begin{array}{l} \text{Accts. payable} \\ \text{plus bank loans} \end{array}} \right\} \text{ minus XC}}{\text{ADNI adjusted by \% increase*}} =$$

due to peak season sales

number of days needed to pay
bank loan and a/pay

(5). Compare result of step (4) with estimated or actual remaining period of peak-season, following which bank loan will be immediately due.

Long-Term Loans

This analysis applies to seasonal loans only. Long-term financing, as we have seen, must be liquidated out of profits if current creditors are not made to suffer.

Step (5) determined whether or not accounts payable and current loans at statement-date were likely to be paid on time. Now go back and analyze this customer's previous statements in the same way. Set down the results of step (5) in chronological order and trace the trend. Does it indicate progressively increasing liquidity? Decreasing? What is the pattern?

With this trend before us we can see the direction it is taking and judge the degree of promptness with which current debt and expense is likely to be met on time if the trend continues in the same direction.

So we answer our crucial question from the point of view of section (a).

Six yardsticks

For answering (b) we will use six internal yardsticks to measure adequacy of working capital:

- (A) Divide net sales of year just ended by tangible net worth at statement date.
- (B) Divide net sales by net working capital.
- (C) Divide fixed assets by tangible net worth.
- (D) Divide funded debt by net working capital.
- (E) Divide inventory by net working capital.
- (F) Divide current debt by tangible net worth.

Now compare each of these answers with standards developed for the industry. Since these vary wide-

* estimate, if no figures available

ly from industry to industry, no general measurements can be given here except perhaps a rough 75% in the case of (C), (D), and (E). For the remainder, specific yardsticks of the debtor's particular industry have to be used.

Roy A. Foulke has made the outstanding contribution in this field. For standard ratios and percentages to be used for comparative purposes, consult his *Practical Statement Analysis*, referred to previously. Also his current publications in this field issued periodically by Dun and Bradstreet.

Some progressive credit managers individually and in cooperation with others are working out industry standards of their own from the figures which their customers submit to them. (See *Charting Ratios, An Under-Developed Science*, by Elmer Agnew, Dec. 1950, *Credit and Financial Management*.)

Internal measurements

Comparison of internal measurements (A) through (F) with industry standards will reveal whether the internal figures are normal, too high, or too low in relation to those of surviving businesses in the industry. The following deductions can then be drawn with respect to adequacy of the customer's working capital:

From (AB): If sales are normal in relation to tangible net worth, but high in relation to net working capital, it follows that net working capital is *low* in relation to tangible net worth. That is, too much tangible net worth has been invested in fixed assets at the expense of working capital. (See Fig. 1 of the charts.)

This deduction can be tested in the light of step (C), fixed assets compared to tangible net worth.

(D): But of course fixed assets could be in heavy proportion to tangible net worth, and yet working capital be artificially kept at adequate level through heavy funded financing, with resulting burdensome interest and amortization requirements. So compare (D) with standards to see if it is out of line.

Working capital

It should be pointed out that working capital, even when adequate

by these measurements, would still be inadequate if its components were not sufficiently liquid. We have already seen that cash should in general cover one month's current expense and manufacturing labor. (E) shows the extent to which working capital is tied up in inventory, the least liquid of the three main working capital assets, from the point of view of their ready conversion into cash. (E) also measures the extent to which working capital would be exposed to reduction by inventory losses in the event of market decline.

(F) shows the extent to which current creditors have financed current operations. When this is too high by comparison, working capital is obviously inadequate.

After analyzing the measurements of one financial statement to determine adequacy of working capital at a given date, apply the same measurements to previous statements of the same customer. Project the results in chronological order. Study the trend, and so answer section (b) of the crucial question.

Factors of working capital

In section (c) of the question we consider the trend of factors that increase or decrease working capital.

Turn to Fig. 5 of the charts. This brings out the following points: Working capital *increases* (1) when profits are retained in the business; (2) when the owner invests more capital; (3) when long term debt is increased. *Provided*, in all three cases, that these funds are not wholly used to increase fixed assets.

Working capital *decreases* (1) If operating losses are not offset by increased investment or long-term borrowing. (2) If withdrawals of capital are made in excess of profits; (3) If long term debt is retired in excess of profits retained in the business. *Provided* (2) and (3) are not offset by sale of some capital asset.

Any such reduction in working capital should not bring it below the level of adequacy by the measurements we have considered. And obviously if profits are being earned they should be retained in the business to at least the extent required to reach and maintain such a level of adequacy.

So we consider first the trend of profits:

(Continued on page 43)

The President Reports - - -

by A. J. SUTHERLAND

President,
Security Trust & Savings Bank, San Diego
Retiring President, NACM

IT HAS been my privilege and pleasure to have served you as President of the National Association of Credit Men during its 55th year. Naturally, in the time allotted to me I do not propose to take up all the activities of all departments of the National Association as these reports will be made to you, or have been made to you during the Convention.

It has taken the cooperation of the multitude of people to carry the National Association of Credit Men to the high standard it had obtained prior to this administration. It has taken a multitude and a lot of hard work and cooperation to carry on the work this year. All of us who served this year owe a debt of gratitude to those who served before us.

I wish at this time to thank the officers and the Board of Directors, the Committee Chairmen, the official staffs in New York, Chicago and St. Louis, and the Secretary-Managers for any success that the Association has obtained during my year. I also wish to think the many people of Boston who have made this fine Convention possible.

Membership

The membership has increased by 686 which gives us a total membership of 31,431. This net increase is a little better than last year. The Associations which have used a Membership Participation Committee have found this committee very useful in preventing resignations. We must always remember we are talking to a passing parade and must keep our activities in front of the membership.



Ed Moran has done an outstanding job in the direction of membership education. Those Associations who have taken advantage of the course he gives on the sale of Association activities have nothing but the highest praise for the material he now presents. I believe it is well to use this material wherever possible in general membership meetings.

An outstanding job has been done by Bud Haider as three new bureaus were affiliated with the National Credit Interchange System during the year. They are Charlotte, Evansville and Tacoma. The National Credit Interchange membership increased over the previous year by approximately 3%. I know that Interchange reports are being compiled with greater dispatch and with more credit information than at any time in the history of the service. I recommend a rapid expansion of this activity of National as the need

is there and we can do an exceptional job.

The Credit Women's groups now number forty-nine with a membership of over 2,500. Women are serving on many Boards. Seventy-seven scholarships were sponsored by the group this year and they were instrumental in securing new members for their local Associations.

The Fraud Prevention Department, under the direction of C. J. Scully, handled twenty-four investigations. During the same period they helped secure two indictments and five convictions. There were practically the same number of commercial fraud cases submitted to the Department by their subscribers as in the previous year, although more cases were actually prosecuted. All of us members who do not contribute to the Fraud Prevention Department are beneficiaries of the work they are doing and of the amount they pay in to our National treasury.

Foreign Credit

It was my privilege to attend the annual meeting of the Foreign Credit Interchange Bureau which is under the staff member, Phil Gray. Here again we have a department which contributes to our National budget and we are all beneficiaries of the activities of this department. The Foreign Credit Interchange Bureau, which might well be called the Export Department of our Association, has completed another year of fine service to members of the Association who are interested in international trade. Membership in the Bureau has been well maintained despite the difficult situation existing in our foreign trade, and all services of the Bureau are operating successfully. Now in its 32nd year, the Bureau plans expanded services for its members through Group activities, and pledges redoubled efforts to assist members in their foreign credit administration.

There are fifty-one approved Adjustment and/or Collection Bureaus, which is an increase of two. This department is under the direction of Al Kruhm. The consolidated net income after taxes for 1950 was \$198,246 as compared with \$186,834 in 1949. The combined net worth of

these bureaus is \$1,413,542. Collection bureaus have done an excellent job and our Adjustment Bureaus have learned to become business doctors instead of business undertakers. Associations that are not engaged in this activity could well afford to follow the example of others and build up Adjustment and Collection Bureaus.

The arrangements for the present fine convention and the Annual Credit Congress have been directed by Frederick H. Schrop of the National office.

Legislation and education

Mr. S. B. McKinney of the National office has been active in bringing to our attention national legislation and state legislation which has affected the credit industry. We should never forget that we have saved businesses of this country more than they will ever pay in dues by our fight for par clearance of checks which we hope will be successfully concluded in all parts of the country in the next few years. Also by the passage of the bulk sales law in every state in the union, the fictitious name law in the majority of states, and other state and national legislation designed to protect your receivables. It is in this field that I would recommend that if we had a little more money to spend we could exert a great influence on the future of all of our businesses.

No greater strides have been made by any department of the National Association of Credit Men than the National Institute of Credit. Through the local Associations, arrangements have been made with forty-one colleges to give classes which work to the program of giving Associate Awards and Fellow Awards after courses have been completed and examinations given. Those associations who are not engaged in educational activities should contact Associations that have these activities and find out just how enthusiastic they are about them. Then there is the Graduate School of Credit and Financial Management at Dartmouth which is highly praised by all who have been in attendance. The above is all under the able direction of Dr. Carl D. Smith.

I am carrying a membership in

the Credit Research Foundation and would like to quote the following from a letter written by the President of a large corporation. "I think I told you when you were here that the educational phase of the Association, and particularly the research activities, rank at the very top in what has been accomplished for the benefit of the credit profession throughout the entire country."

The Magazine, with Ed Moran and Dick Tobin cooperating under a new policy is making progress towards a better magazine and towards securing additional advertising.

We are especially indebted to our Executive Manager, Mr. Henry H. Heimann, for his sound fiscal thinking. I believe that Mr. Heimann is one of the soundest economic thinkers of today. We can be proud of the Monthly Business Review, which is being quoted more extensively in both news items and editorials as shown by our newspaper clipping service. Mr. Heimann has been waging a twenty year campaign for sound credit and I hope that he will vigorously carry on the campaign to save this country from the economic pitfalls which appear on the horizon.

We can all be proud that we are engaged in the credit profession because the use of credit in this country has brought to us the highest standard of living of any country in the world. The standard of living in any country can be measured by the extent of its credit facilities. The use of credit in this country made possible the mass production methods in use by manufacturers today. Your membership in your local and national Association should help you in your profession.

Credit—like fire—needs control

Credit is like fire; if it is properly used it can be a great servant of man, producing great energy, but if uncontrolled it can consume and destroy. Many of us remember well how the improper use of credit in 1920-21, (especially in land speculation) brought a collapse in prices. More of us remember that the improper use of credit in 1929 (especially in the stock market and city real estate) brought on a collapse that almost wrecked our free enterprise system. Now in my opinion

it is the improper use of government credit that threatens our very existence and, like fire uncontrolled, may destroy our free enterprise system. The unbalanced budget, with its resultant inflation, the growing control of government over business, the constantly increased number of employees employed in federal bureaus, and the legislation proposed for socialistic schemes, all are the vehicles to destroy and consume the free enterprise system.

If we are to believe the prophecies of Lord Beaverbrook and other foreign observers, that this country will surely follow England and embrace socialism, then one thing we can do to help save our free enterprise system is to spend a little more time and money to try to influence federal legislation.

The various bureaus of the government who were not elected by the people now have the greatest influence on legislation. There are 42,000 public relations people employed by different bureaus of the government who are constantly feeding our Congressmen and Senators the propaganda concerning their work. The New York Times, in one week, received sufficient information from the Bureaus' public relations officers to fill 800 columns.

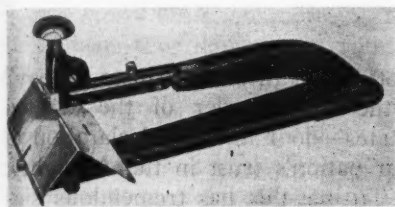
Your National Association of Credit Men presented to the Honorable Harry F. Byrd, and the Honorable Walter F. George at the Northeast Credit Conference, the Award of Merit for outstanding service to the nation. Senator Byrd believes that we are headed straight for socialism unless we can cut the federal budget which he believes can be cut to the extent of seven billion dollars.

The new home

By authority given by the Board of Directors on recommendation of the Housing Committee we signed a new lease at 229 Fourth Avenue, which is thirteen blocks downtown from our present location. This combines the Credit Research Foundation and the National Association offices and the total rent paid during the five years of the lease will be approximately \$6,000 more than we are paying at the present location. If we had re-leased the present location it would have cost us \$11,000 more per year instead of the \$6,000 at our new location.

In the MODERN office

E. H. Hotchkiss Company, Norwalk, Conn., has a new Model HA-SS stapling unit that should expedite the work in any office since it can be used for stapling booklets, reports, calendars, folders, dummy advertising forms, and anything that needs a heavier than ordinary staple.



Consists of stapling unit with adjustable table for flat or saddle stitching. Has a stapling range of 12" and staples about 20 sheets, or in saddle stitching the equivalent of an 80 page booklet. Base is drilled so it can be fastened to table or bench if desired.

A new product, designed to solve some of the problems of file folder upkeep has been launched by the Dennison Manufacturing Company, Framingham, Mass. Reinforced file folder tab labels give any tab threefold strength, longer wear. Classify subjects by colors and provide in-



stant identification when folders are in file cabinet. Comes in eight colors. With these reinforced labels, the user can make old, worn folders as good as new. They fit all $\frac{1}{8}$ cut folders. Easy to type strips with no ridges to catch papers.

A desk-top copymaker designed for use with the Polaroid Land Camera has just been announced by the Polaroid Corporation, Cambridge 39, Mass. The device turns out dry, finished copies of documents, letters, sketches, drawings or photographs

60 seconds after shutter of camera is snapped. Easily carried and could pass for over-night bag when closed, it is ready for action on desk-top or table when plugged into AC outlet. Case of copymaker opens to form support for camera and object to be copied. Door in top opens to provide a vertical mount for holding standard Model 95 Camera in vertical position. No tanks or liquids required, and copy comes out of back of camera dry and ready for use. Copies of business letters, made by the device at about one-quarter actual size, are clearly legible. The unit is designed for operation by unskilled personnel who need copies without the usual delays for dark-room processing.

A portable adding machine that weighs only 6½ pounds, has a 10 key keyboard no larger than the palm



of the hand, yet adds or multiplies up to 9,999,999.99 has been put on the market by Swift Business Machines Corporation, Great Barrington, Mass. Everything can be handled from large financial computations to checking smaller bills. The machine comes in a choice of colors, and a zipper leatherette carrying case can be provided if you wish to take your figuring work home or on a trip. The Swift Adding Machine sells for \$99.50 plus tax, and a personal demonstration in your office can be arranged for the asking.

Robotyper — the mechanical secretary that multiplies your typewriter's output 4-fold, by producing individually typewritten letters, at a fraction of the cost of manual typing, should be considered in expediting your office work. Letters identical except for address and salutation are typed to whole lists of people, 150 to 200

per day, and your typist simply types the name, address and salutation. One typist can operate two, three or four Robotypers. It prepares letters,



reports, presentations, quickly. Your electric typewriter can be attached to the machine in a few minutes without being adapted in any way, and is immediately available for hand-typing when not being operated automatically. It has been used successfully on sales, credit and collection work where it is desirable to send out actual typewritten letters in quantity or where a routine letter can be used to advantage. Manufactured by the Robotyper Corporation, 10850 Ryan Road, Detroit 34, Mich.

So simple in operation a trained operator is unnecessary is the new desk model bookkeeping machine now released by R. C. Allen Business Machines, Inc., 678 Front Avenue, N.W., Grand Rapids 4, Mich. This compact, low-cost machine will post statement, ledger and proof journals simultaneously, and is adaptable for commercial, bank or



payroll work. Finished in cedar green to harmonize with modern interiors, no stand is necessary as it can be used on any desk. Incorporated are such improvements as front feed form insertion, true credit balances in red, and visible dials. Automatic dating, automatic carriage control non-add and subtract and automatic carriage tabulation are also featured.

Guarding The National Credit

by EARL BUNTING

Managing Director, National Association of Manufacturers

EVEN IF the present national emergency were like those others that our nation has surmounted and emerged from stronger than before, it would still take the best of leadership, tremendous productive strength, and the most intelligent and devoted citizenship to see us through.

And this is no run-of-the-mill emergency. We are not going to get out of it quickly. The defense era—the strain of being on guard—is not a matter which we can expect to resolve in a few months or a few years. The probability is that we shall have to live with it for a long while.

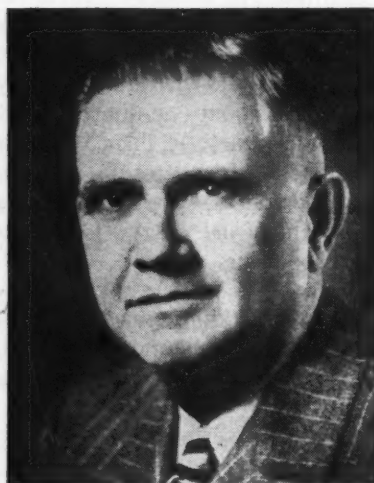
Mobilization will strengthen our military defenses. But there is no question in my mind that strength for the long hard pull ahead must come from within. It must come from the moral courage and spiritual integrity of a great diversity of 151 million individual American citizens.

Material things are not enough

Material prosperity is not and never can be the full measure of people's freedom. World progress—and world peace—have their inception in something very different from material prosperity.

In the atmosphere of spiritual satisfactions that freedom provides, there is every encouragement to do those things that lead to fuller lives and higher standards of living. It is in this atmosphere, this intangible yet very real spiritual force, that mankind overcomes famine and starvation, brings about better health, and builds a longer, happier, richer life.

Man alone cannot bring these miracles to pass. He must have faith



in himself. And this faith grows out of faith and trust in a Supreme Being.

If we, the people of America, put our hands and hearts in the hand of the Lord, as we go on in the world, we shall find again the confidence and peace that can be transmitted to others.

We shall — we must — find it within ourselves.

"In God We Trust"

Let me illustrate in the most tangible of symbols what happens when the spiritual source of our earthly possessions is ignored. Here in one pocket I have a penny, a nickel, a dime, a quarter, and a half dollar. And here in another pocket I have some so-called "paper money."

On each coin I find the declaration of America's basic faith: "In God We Trust."

This is hard money. It is in good faith, and will stand up.

Let's look at the folding money—the soft dollars which are no longer redeemable in hard currency. On

not one of these "promises to pay"—the legal tender of the United States—do I find the declaration of our nation's trust in the Almighty.

To me, this has tremendous significance. "In God We Trust" goes back to the very inception of our nation. It came from deep in the hearts and souls of those great citizens who founded our United States.

The principle of good faith is eternal—and nations which hope to endure cannot go back on it.

Deep-spirited faith gives men the confidence—and the courage—that comes from knowing that man does not stand alone in his fight against the forces of evil.

Disunity threatens freedom

If a dark-ages way of life is to finally sweep over the whole world, blotting out man's dream of freedom, one major reason will be our disunity, stemming from fear, confusion, and the delusion that any government on earth can give its people more than it takes from them.

Whatever it takes, in this battle for men's minds, hearts and souls, America stands ready to provide. Our almost limitless productive capacity is freedom's greatest strength.

We will muster the spiritual strength and moral courage to face whatever is ahead as soon as we know the extent of the job ahead.

The sense of common danger has always been our strongest incentive to united, all-out effort. The indomitable conviction of our forefathers that taxation without representation was wrong did far more than merely correct this evil.

Out of their convictions they created something new under the

sun—a great country living up to the name men call it—The Land of Opportunity.

Men of lands across the sea were fired by our Declaration of Independence, which said:

"We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable rights."

People were attracted to a land whose government was founded upon a *moral* basis, guaranteeing to the citizen the dignity and rights endowed by his Creator.

Generation by generation, from the four corners of the world people came here to live under a way of life that gave them the spiritual satisfactions realizable only under personal freedom. They found religious freedom, political freedom, academic freedom and economic freedom. And, they found *opportunity* which gave them the personal choice of location and endeavor which most appealed to them.

To keep freedom and opportunity invincible in our land will take much more of basic understanding, of calm judgment and of truly patriotic American statesmanship than has yet been offered.

First, understanding

Primarily, we need understanding. And words from high places have not ended our confusion. Dissolving the fogs of confusion through the strong light of understanding will unite our people in effective measures to eliminate threats to national and international security.

Ideological pressures of the past half century have not left untouched the rights, freedoms and responsibilities of the individual American citizen. Experimenters in our land have seriously impaired the God-given rights of the individual, rights as citizens which emanated from our Declaration of Independence, and which were guaranteed in our Constitution and our Bill of Rights.

Our search for economic security has tempted us to substitute the machinery of government for our personal responsibility. We have been induced to lean more and more heavily upon government. Yet at no time, in no country in history, has it been possible to establish effective economic controls by law.

Such efforts have always ended in an economic nightmare, causing destruction of both spiritual and material values.

The over-emphasis on economic security, to the exclusion of individual opportunity, must not be permitted to endanger our national safety.

Our free enterprise system has enough basic strength—enough momentum—to carry us ahead faster than any other nation in the world—despite years of New Deal and Fair Deal harassment.

Our job is to keep strong, economically, and to get strong, militarily. And we can do both!

Our problem is political

Well informed men are agreed that whatever is ahead of us is not an economic problem. The economic potential of America is unlimited.

Neither is it a military problem. Here again our military potential is a mighty force which Americans can count on, and which the enemy must reckon with.

But it is a political problem. It is a political problem because the extent to which we will be able to make full use of our economic and military potentials will depend on political action in the years ahead.

The size of the defense program we can sustain is not determined by the amount we can afford to collect in taxes, but by the amount of our production which can be devoted to military and other government purposes, without undermining the over-all strength of the nation.

The real determining factor as to what the nation must live upon is the volume of goods—not the money supply.

If we can afford to devote 25, 40, or 60 per cent of our production to the military we can afford to have the same percentage of our income taken in taxes.

Whether we collect the equivalent amount as we go along will influence what we have to pay, but it will have no influence upon how much is available in the market.

Government expenditures which are not necessary to national defense must be reduced to a minimum.

Every dollar saved—and there are good estimates ranging from six

to eight billion dollars—will ease the tax burden of the American people, and can be applied to the "pay-as-we-go" tax policy we must adopt to stop inflation.

The defense program

The most authentic news from Washington is to the effect that, in the absence of an all-out "shooting war," we are entering into a defense program of an indefinite duration.

Such a program must meet three necessary requirements:

1. It must give us the maximum defensive strength over the long haul;
2. It must make us ready for full mobilization, if and when required; and
3. It must guard the health and living standards and the long-term welfare of the people.

A program for America

With these guiding principles in mind, I submit that the following program is in the best interest of all the people: to make them safe from military aggression, to protect their economic well-being, and to maintain maximum personal freedom.

Because, in the long-run defense program now facing us, we will need every ounce of our economic strength, now, more than ever before, we must have a sound currency.

We dare not repeat the tragic fiscal mistakes of World War II. During that era of fiscal and economic experimentation, there were those who thought price controls, in the absence of sound fiscal policies, could do the job.

Our experience in the recent war with price controls showed that they did not prevent, but only hid, temporarily, the inflation resulting from deficit financing. And, our American people paid for it—in black market prices—and are still paying for it with 53-cent dollars. This is a lesson which we can ill-afford to ignore.

In this period of defense preparation, we must make certain of a steady flow of materials needed for the military program. Government priorities and allocations for such a purpose should be confined to those necessary for the defense program.

And, the best estimates in Washington right now do not envision military expenditures during the foreseeable future in excess of 18.3 per cent of the current gross national production. This compares with the peak of production for all military purposes of 46.1 per cent reached in 1944. And, our productive capacity in this country has increased substantially since 1944.

After the military needs in this long-term defense period have been provided, the free market is the most effective instrument—as it has always been—for stimulating production of what needs most to be produced; and for distribution of supplies remaining for civilian use.

Anti-inflation program

Inflation simply means an excess in the supply of money in relation to available goods. Therefore, the private credit system—commercial banks, consumer credit, etc.—must be prevented from adding to inflation.

Our Federal Reserve System possesses the powers to control the money and credit system. Using the interest rate and whatever technical powers are necessary to restrict credit, it must prevent our credit system from feeding the fires of inflation.

Whether we want to admit it or not, we always “pay-as-we-go,” either in taxes or inflation. The sound way is to cover the cost of the military program, as well as other government expenses, by taxes.

Contrast this philosophy with what we did in World War II, when we paid about 40 per cent of our government outlays with taxes; and the rest by inflation—inflation which doubled everybody's prices, including the government's.

Taxes imposed to cover expenditures must have the effect of curtailing spending. They must not curtail savings and investments.

The real formula to prevent inflation is to reduce the amount of buying—by an amount as great as the reduction of goods available in the market after defense needs have been met.

If this is not done, prices will be under constant pressure—and will rise—regardless of any system of controls.

If the program is financed by

taxes representing funds which would otherwise be saved and invested in further production facilities inflationary pressures will be increased.

As the funds are spent by government, they will come into the consumption market and thus increase the money supply out of line with the volume of goods available.

Excise taxes are the answer

The only kind of tax program which will provide a completely opposite effect will be one based upon either excise or sales taxes, with no consuming group being protected from carrying its share of the burden.

Thus, if the credit system is held in check, and if a dollar is correspondingly taken out of the consumption market for every dollar spent on the defense program, there can be no overall increase in prices for the simple reason that there will be no excess money in the hands of the public to pay higher prices.

And, any businessman who might be tempted to increase prices would find that unless the public was willing to sacrifice something else he would simply price himself out of the market.

Actually, there would be a constant moving around of prices—as there always is under normal circumstances—as public tastes change and as changes come about in production efficiency.

There would be no upward inflation trends. And since business could not risk price increases, there would be no need for wages to be brought under government control.

Without an increase in the cost of living and general inflation of the price level, wages can be adjusted on the basis of the individual company situation, without the necessity of “wage freezes.”

Price and wage controls are ineffective economically, because they create a situation of “repressed inflation.” And they cannot be sustained politically. They have the effect of restricting productions, by throttling incentives, cause black markets due to shortages, and are illusory in character, with painful after-effects in inevitably higher prices.

The present compelling necessity is to gear our economy to absorb an

18 per cent level of defense production over the long-term pull, which may run into many years. Fiscal mistakes in that period could be fatal.

Our objectives

Only a strong economy can produce the military strength so vital now and in the days ahead. Our objectives, then, should be:

1. To provide for national defense to the extent possible over the long term ahead;

2. To preserve our national solvency through fiscal and credit policies which will assure sound money of genuine purchasing power;

3. To summarily eliminate every dollar of unjustifiable government expense;

4. To balance every dollar of government expenditure with a dollar of government income;

5. To base our federal tax policies upon the principle that taxes imposed to cover federal expenditures must have the effect of curtailing spending, and not curtail savings and investments;

6. To encourage private investment in further production facilities, so as to meet the needs of national defense and a growing civilian population;

7. To maintain a strong, virile economy with high living standards for all the people; and

8. To preserve individual freedom and the corresponding personal opportunities for all Americans.

If we will do these things we will face our enemies with a united front. We will overcome uncertainty and fear. We will light the pathway of progress for the rest of the world. This light and this pathway can lead us in our time to lasting peace.

Rekindling the flame of liberty in our minds and hearts will give us the courage to believe it, to preach it, to live it and to keep it burning for our children.

The Statue of Liberty—not the American dollar—must again become the symbol of America at home and abroad. Only thus will we offer to people of other lands a system of life of freedom and opportunity which could be expected to turn them from statism in any form.

This is the text of Mr. Bunting's address before the 55th annual Credit Congress.

What Shall We do in Asia?

(Continued from page 9)

Chinese than our ally, the legitimate Government of China—which was always spoken of by the propagandists as the “corrupt-and-reactionary-Chiang-Kai-shek regime.”

When history is written, it will seem fantastic that supposedly educated, enlightened and sophisticated Americans could be so easily beguiled into accepting this complete myth about Chinese Communism; and that we would base our country's foreign policies on such a myth and the others which were so skillfully developed and sold to many opinion-forming agencies and to the policy-makers in our State Department. Let me remind you of a few of them:

—and myths

One was the myth, successfully propagated during the war and advocated by Stilwell, that we must arm the Communists because they were said to be doing most of the fighting against the Japanese. It wasn't so. They inflicted less than ten per cent of the casualties on the Japanese. But the myth did its job and at a critical period in American thinking, built up the Reds and built down the Chinese Government.

Then, when events proved that myth false, there was another: that the Communists weren't dangerous because “they are country people. They won't take the cities.” Well, you have seen them take the cities.

Then the propagandists said, “But they're Northerners. They won't take South China. After all, China's too big, probably it ought to be split along the Yangtze River. Let the Communists take North China, and let the government have South China—maybe it can handle things better there with fewer and smaller problems”. Then the Communists took all of South China. Another myth gone—but its work of lulling us to sleep for some more months had been well done.

Then came the myth that the Communists in China couldn't be a threat to us because “They won't be able to convert the Chinese to Communism.” I don't know whether they

can or not. I hope they can't. But the argument is irrelevant. They haven't yet been able to convert any people to Communism, beginning with the Russians. They don't claim to have more than three per cent of the Russians, six per cent of the Poles, eight per cent of the Czechs. Do you suggest that, therefore, they don't control these countries and can't use their resources and strength against us?

They don't want a majority

We naively assume that the Communists are trying by persuasion to win fifty-one per cent of the people to join their Party, because that's what a political party does in our country. But they don't want that. They know that if they got a majority of the people into their party, they would have as much as the Democrats are having here—factions fighting among themselves. The Communists don't want more than a few per cent of the population. When they get more than that, they purge them. With a little handful as a completely regimented iron core they can control the rest. Why do we insist on projecting our ideas into their minds? And then denounce them, when they, of course don't operate according to our ideas?

Then we were assured “The Reds can't make good soldiers out of the Chinese.” Ask our men in Korea about that one.

Even before that had been exploded, they had another ready. They always have another one ready to keep you slumbering, while they push ahead. They don't try to persuade you actually to join the Communists or even to support them directly; they just persuade you not to be alarmed or to do anything about Communist gains—which of course amounts to the same thing.

They said, “The Communists won't be able to solve China's economic problems.” The answer is: of course they won't; but the argument is completely irrelevant. They have not been able to solve the economic problems of any country they have taken. Look at Poland, Czechoslovakia, Russia herself. But would you suggest that they do not have those countries in their grasp, using them against ourselves and all free men?

And where did anyone get the notion that they're trying to solve people's economic problems? To im-

prove the conditions under which people live is what *we* would do if we were going into China, as we did do when in the Philippines. But that isn't the Communist objective. *Their* objective is conquest.

Still more theories

And then there was the “morass” theory. This was the myth that the great seething bog of Chinese problems would defeat any interloper. Three years ago, I was on Town Meeting of the Air program with a man whose smooth line was, “Don't worry about Russian influence in China. Stalin may be dumb but he isn't dumb enough to get mixed up in that Chinese morass.” But it is clear that Stalin is pretty deeply mixed up in it, and he seems to be doing quite well, too.

Another argument was that Communism does good things for the people, that they're “better off” under it. Now the Communists in China did what appeared to be good things while they were working to gain control. They did make the people “better off” in the country areas at first; but notice how they did it. Since the objective of the Communists was to weaken and destroy the Government of China, they wanted to make conditions so bad in the cities that people would turn to them in despair, thinking nothing could be worse than under the Kuomintang. So the Communists wouldn't let the farmers move their grain into the cities. Consequently, the hungry city people were restless and turned against the Government. But the farmers had more grain to eat than they had ever had before. And they were fatter. That was why the American newsmen and sometimes a missionary reported: “The country people are better off.”

Well, they're not now. Almost everywhere, they're worse off. The levies on the farmer are higher than they've ever been and they have lost all freedom besides. The so-called “better off” didn't last longer than was necessary for the Reds to get their hold fastened on the people.

Titoism?

For the last couple of years, there's been a new myth to beguile us—that Communists in China will develop Titoism—if we'll just recognize them, admit them to the United Nations as a “peace-loving nation”,

although their hands are dripping with the blood of the United Nations' soldiers, and then give them some more important territory—for example, Formosa. That is, if we will help Communist aggression to succeed—somehow, that will cause it to fail. If you have difficulty with that, I shall have to refer you to the State Department for explanation. I had thought the way to overcome an enemy was to cause him to fail, but its idea was to help him succeed. And then, he would be a Tito.

There never was a shred of evidence to indicate that Mao Tse-tung would be a Tito, *if he could*. Chiang Kai-shek originated Titoism in 1927. Mao has been the number one anti-Tito in the world. His life work has been to destroy Chiang and Titoism. He's been the Soviet Union's most loyal satellite for twenty-nine years, even under the most difficult and seemingly hopeless circumstances. But when Communism is winning and we're losing in Asia, then he is supposed to desert Stalin and join us. One wonders how crazy people can get.

Moreover, Mao couldn't be a Tito if he *would*. Why? Because the Soviet Union can so easily control Manchuria, the Ruhr of Asia. That was fixed up at Yalta, you will recall. Mao cannot make a go of it without the resources and industry of Manchuria any more than Chiang could. You can be sure the Kremlin is determined not to have any more Titoism. If Mao should deviate in the least from what the Kremlin wants him to do, it would close down on his jugular vein in Manchuria and he would be done for.

The biggest myth of all

Perhaps the most widely believed myth is that even if Communism wins in China, the Chinese will overcome it eventually. China has been conquered again and again; she has absorbed her previous conquerors and therefore, she will absorb this conqueror, too.

There are two comments to make on that. One is that to argue that China will overcome the Communists just because she overcame her previous conquerors is about as intelligent as it would be for me to say to a man who has cancer, "Well, my friend, that's rather serious, but I wouldn't be unduly alarmed about it. You'll probably get over it because

you got over your previous diseases, didn't you? Measles, diphtheria, scarlet fever, tonsillitis—you got over all of those diseases, so you should get over this one, too." Unfortunately, that does not follow. People die of cancer every day who never died before; it is the very first time. Because cancer is a different disease. Just so, the Communist conquest of China is as different from her previous conquests as tuberculosis of the lungs is from bronchitis.

I have a deep feeling—not based on any demonstrable reasons—that somehow the Chinese will eventually be able to pull through their present ordeal to real independence again. I have as much confidence that they will as I have that we will pull through the trials ahead of us, for they are tougher. They don't expect so much. They aren't as brittle as we; they won't blow up the way we may when we have to face reduced standards of living in the reasonably near future. But even if the Chinese should be able eventually to overcome the Communists, the big question still remains: How long will it take? Well, it took the Chinese one hundred years to overcome the Mongol conquerors. It took them two hundred sixty-seven years to overcome the Manchu conquerors. Maybe they could overcome the Communist conquerors some time in the next few hundred years. But what happens to you and to me in the meantime? And our children? And our country? I can't get much comfort out of that.

Propaganda Techniques

I've run through some of the myths about Communism in China to point out how easy it is for determined and skillful propagandists, who know what they want and who are not bothered with any scruples regarding the truth, to put over on supposedly smart people whatever they want us to believe. They kept many Americans from recognizing Communism in Asia as an enemy of ourselves—and thereby helped lead to our benevolent neutrality toward it until it was in a position to attack our forces in Korea.

There was another major technique which they successfully used to weaken our side while strengthening their own. It was to divert our attention from our own security interests by concentrating on the weak-

nesses of those who, whatever their faults, were our friends and allies. Whenever the proposal to give proper aid to the Government of China came up, they always used five adjectives. "But the Government of China is inept, incompetent, inefficient, undemocratic and corrupt." How many times you have heard those adjectives recited, and by high officials in our Government—as if they, rather than China's independence were the important thing from the standpoint of our country's security; or as if the same adjectives could not be used to describe our own Government too—and with much less excuse in our case. The propagandists and their dupes roll the words off their tongues and that's supposed to dispose of the problem. No, they merely describe it. Let us look at it further for a moment.

Cure him, don't kill him

It is certainly true that a good many officials in the Government of China, after eight years of invasion, governmental breakdown, inflation, etc., were inept, incompetent, inefficient, undemocratic, and corrupt. The patient was very sick, indeed. But when the patient happened to be one whose survival is essential to our security, then his desperate condition is not a reason for going off and abandoning him. Rather, it is the challenge which it is the doctor's job to meet and find means to overcome.

This is my quarrel with the State Department. I think I was the first man in public life to call openly for Mr. Acheson's resignation. I have nothing against him as a man. But he is convinced that nothing can be done in China because conditions are so bad there. As long as he and others with that view are in charge, nothing effective can be done. Where there is no will, there is no way.

The difficulties in China — and they are great — are the problems it is the business of responsible statesmanship to solve; not an alibi for not solving them. And if those now in authority don't see anything to be done, then they should please step aside and let those take over who do see what needs to be done and are determined to do it. For the permanent loss of China to Communism can be fatal to our own country's security and will leave no possibility of ever getting an independ-

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ASSOCIATION NEWS

Boston Convention Is Huge Success

Four-Day Meeting Is Smoothly Run, Attendance Large, Weather Perfect

Boston: 2,000, 3,000, or 4,000 credit executives (the number depends on what newspaper you read) descended on Boston Sunday, May 13, for the 55th annual Credit Congress of the National Association of Credit Men. It was a beautiful day, sunny but not hot, which was a comfort since the preceding two days had been miserable.

The Hotel Statler, Convention Headquarters, established some kind of a record by having rooms ready and made up for almost every delegate at the time of his arrival, even for those who checked in as early as 10:00 o'clock in the morning.

Sunday, as usual, was given over to the business of registration and the happy business of Al from Houston greeting Bill from Seattle whom he had not seen since the last convention. The Hostess Committee held a reception and tea in the afternoon, and a musicale in the evening to make the guests feel welcome.

Monday sessions

Monday morning the Convention proper got under way with greetings from Mayor John B. Hynes of Boston; William C. Hall, Sylvania Electric Products, Inc., President of the Boston Association, and G. C. Meikle, Crane, Ltd., Montreal, on behalf of the Canadian Credit Men's Trust Association, Ltd., which will be host to the 1953 Convention, which is planned for Montreal. Past President Charles E. Fernald responded for the visitors.

General Chairman Edwin M. Wolley, U. S. Fidelity & Guaranty Co., then turned over the gavel to President A. J. Sutherland, who presided over the meeting from that point on. The first item of real business was the presentation of Gruen watches to those members of leading Associations who had contributed most to the success of their membership campaigns during the year. This pleasant chore was handled by Edwin N. Ronnal, Cook Paint & Varnish Co., Kansas City, Chairman of the National Membership Committee with his usual flair and dispatch. He was followed by Clarence E.

(Continued on next page)

CONVENTION SIDELIGHTS

During the Monday morning session a gentleman walked slowly up the center aisle carrying a lighted taper. Slowly, very slowly, he approached the platform. When he reached the platform he blew out the taper. Sleepwalking? No. The photographer was using a camera which needed vertical focus. The gent with the taper was the guinea pig.

The Houston boys were advertising the Houston convention before the Boston convention even began! They had two tables crammed with literature about Texas in general, Houston in particular and the Houston hotels in every particular. Matches from the Rice, coasters from the Shamrock, folders from the Chamber of Commerce.

Francis the talking mule, crashed the Wednesday morning meeting. He (Is that the way you describe a mule?) was on a Defense Bond tour and he figured that credit men were as good prospects as anyone else. Incidentally Francis wished no part of the freight elevators. Kicked and struggled to stay out of them. The stairs for Francis. All thirty-six of them.

The press coverage of the Boston Convention was unusually complete—in fact one got the impression that one out of every ten Bostonians must be a press photographer. The Christian Science Monitor outdid all the other papers not only in covering the Convention but in commenting on it and the Association generally in a very cordial editorial.

A past president who shall be nameless is alleged to have become alarmed during the final session because the television set for Henry Heimann had not arrived, or if it had he could not find it. The story goes that he was complaining bitterly about poor delivery service and bad organization while supporting himself on an object covered by a green baize cloth—the television set, of course.

L. D. Duncan Is Elected to Head NACM for Year

Lorne D. Duncan, general credit manager, National Distillers Products Corporation, was elected president of the National Association of Credit Men, during the final session of the Association's 55th annual Credit Congress in Boston, Massachusetts, on Thursday morning, May 17.

This is the culmination of a credit career which has been truly distinguished. Mr. Duncan could be described, and in fact was described during his nomination, as a "credit man's credit man". He has been a member of the National Association of Credit Men for 31 years. His early affiliation was with the Louisville Association. He served on almost all of its major committees and progressed to director, vice president, and president.

When his company transferred him to New York he immediately became a member of the New York Credit and Financial Management Association, then the New York Credit Men's Association. In New York, as he had in Louisville, he worked hard for the Association, served on committees, was elected director and vice president, and at the time of his election to the national presidency he was serving the New York Association as president and the National Association as director.

Three new regional vice presidents were also elected: E. William Lane, American Screw Company, Willimantic, Connecticut; Victor C. Eggerding, Gaylord Container Corporation, St. Louis, Missouri; D. M. Messer, Dohrmann Commercial Corporation, San Francisco, California. Messrs. Lane and Messer were retiring Directors and Mr. Eggerding had served a term as Director a few years ago.

12 New Directors

Twelve new directors were also elected as follows: John R. Heery, United Illuminating Co., New Haven, Conn.; A. Edward Southgate, Philadelphia & Reading Coal & Iron Co., Philadelphia; James G. Purvis, Atlantic Steel Co., Atlanta, Ga.; Eugene V. Kidd, Studebaker Corp., South Bend, Ind.; Herman M. Kessler,

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CONVENTION

(Continued from previous page)

Wolfinger, President of the National Retail Credit Association, who spoke briefly on the need for less segregation of retail and wholesale credit men and more co-operation between local and national credit groups of both types. Edward McFaul then gave a humorous talk which got the crowd—and it was indeed an overflowing crowd—in a receptive mood for the Keynote Address which was delivered, as it has been for twenty years, by Henry H. Heimann, NACM's Executive Manager. He received a tremendous ovation at the end of his talk and the first session broke up in an atmosphere of satisfaction for a morning well spent.

Monday afternoon

Monday afternoon Earl N. Felio, Treasurer of Colgate-Palmolive-Peet Company and retiring Vice President of the Eastern Division, took charge of the meeting and introduced the three speakers for the afternoon, T. Coleman Andrews, President of the American Institute of Accountants; Earl Bunting, Managing Director of the National Association of Manufacturers, and the Honorable Walter H. Judd, Congressman from the Fifth District of Minnesota. Congressman Judd was undoubtedly the lion of the afternoon. He had his audience in his hands from the moment he stepped up to the rostrum and when he finished every soul in the room—and again it was jammed packed—rose to his feet and cheered.

Following the speeches the delegates were called on to vote for two important amendments to the Bylaws—one calling for a re-zoning of the country and the other for an increase in per capita dues. Both amendments were passed by substantial margins.

The social side

That was the business part of Monday. There was plenty more doing during the day. The credit women held their annual luncheon and business meeting at noon as did the members of the Credit Research Foundation. The visiting ladies were entertained at a bridge and canasta party in the afternoon and there were many regional dinners in the evening.

The social highlight of the day was, of course, the President's Reception and Ball. The grand march got under way on time and for some reason practically nobody fouled up. Dancing went on until 1:00 o'clock in the morning when the delegates decided to call it a day and go to bed.

Group meetings

Tuesday, as usual, was given over to industry group meetings, 31 of them. At lunch time the delegates repeated last year's successful idea of holding an all Industry luncheon which was so well attended that the ballroom of the Statler was packed. James E. Gheen was the speaker. He is a business man turned

humorist and provided the delegates with a little light relief between the two group sessions.

On the evening of Tuesday the delegates packed into a large fleet of busses and drove eighteen miles up the North Shore to the New Ocean House at Swampscott where they were treated to a genuine New England Shore Dinner and an evening of dancing.

Wednesday

On Wednesday morning the Boston Chapter of the National Institute of Credit produced an innovation—a breakfast open to all registered delegates and guests, which was a complete success. Howard S. Almy, Collyer Insulated Wire Co., Chairman of the National Education Committee, presided, and the speaker was Dr. Harold C. Case, newly elected President of Boston University. His talk was very well received.

Following the breakfast the third general session got under way under the chairmanship of retiring Vice President Lester F. Fishbeck, Coast Packing Company. The first speaker for the morning was Merryle S. Rukeyser, who discussed current economic trends. Chairman Fishbeck then presented the grand prize for the letter writing contest sponsored some months ago by this publication to Grainger H. Smith, Buhner Fertilizer Co., Seymour, Indiana. Mr. Fishbeck made the presentation on behalf of Irwin Stumborg, Chairman of the National Publication Committee, who was unable to be present because of illness.

Following this presentation the Credit Research Foundation sponsored a panel discussion on the subject "How to Meet Credit Problems in This Emergency." Paul E. Hunter, Pacific Mills Co., was the Moderator and the panel consisted of O. E. Barnum, United States Steel Co., Carl B. Everberg of Boston University, Charles E. Fernald, Fernald & Co., and Charles Pritchard, Stromberg Carlson Co. The morning ended on a high note with a fine speech by Dr. Erwin D. Canham, Editor of the Christian Science Monitor.

Wednesday noon the Foreign Credit Interchange Bureau and the New England Export Club jointly held a luncheon followed by a round table conference on Foreign Credit Collection and Exchange Problems.

Also on Wednesday the credit women held a noon luncheon and an evening banquet. The delegates' wives were guests at a luncheon and fashion show given by the Hostess Committee of the Boston Association and the day came to an end with a concert and entertainment by the Highland Glee Club.

The final session

Thursday morning started with the chairmen of the Boston committees on the stage for just a little recognition for all their work. Frederick H. Schrop, Convention Director, introduced each of the committee chairmen and the members of the various committees were recognized from the floor.

Edward N. Ronnau, Chairman of the

National Membership Executive Committee, then picked up where he left off on Monday morning by presenting plaques to the winners of the one year membership drive and loving cups to the winners of the five year membership prizes. Mr. Ronnau had lost none of his verve since Monday morning and the presentation went off like clockwork.

Fred C. Witte, President of the Robert Morris Associates, followed with a short talk on teamwork between the bank credit men and the mercantile credit men. Mr. Witte is Vice President of the Chase National Bank of New York.

He was followed by J. A. Nickerson of The Trailmobile Company, Cincinnati, Chairman of the Policy and Resolutions Committee, who submitted the resolutions for the approval of the delegates. These resolutions under the title of "Statement of Policy" will be found elsewhere in this issue.

The final item of business was, of course, the nominations and election of officers and directors. This year's Nomination Committee was headed by C. Callaway, Jr., Treasurer, Crystal Springs Bleachery, Chickamauga, Georgia. Nominations were submitted for twelve new directors, three new vice presidents, and a president and all were elected unanimously.

Conventions come and conventions go. Last year Los Angeles, the year before Atlantic City, the year before that Cleveland, the year before that New York, the year before that a sort of apology for a convention at French Lick Springs since it was impossible that year to hold a serious, full-fledged let's-all-go-to-the-convention convention. This year, however, the annual Credit Congress was one of the smoothest run, trouble-free conventions in all time. The host city committees did a superlative job. They were on duty at the crack of dawn and went off duty only at the dead of night and as a result it was a splendid convention.

L. D. Duncan Elected NACM President

(Continued from previous page)

Standard Printing Co., Louisville, Ky.; F. G. Phillips, Globe Machinery & Supply Co., Des Moines, Iowa; Harold H. Berg, Dakota Electric Supply Co., Fargo, N.D.; L. Merle Davis, The Kurer-Empson Co., Denver, Colo.; R. G. Mills, Clowe & Cowan Co., Amarillo, Texas; W. L. Holmes, Schlumberger Well Surveying Co., Houston Texas, and George T. Stockfleth, California Wire Cloth Co., Oakland, Calif.; Fred W. Zander, United States Plywood Corp., New York.

Eight of the twelve new directors were elected to succeed those retiring. One replaces Mr. Duncan who resigned his directorship to accept the presidency. The remaining three directors were elected to fill new positions created by the redistricting of the country. Full details of this redistricting will be found elsewhere in this issue.



The Photographer caught nine of the eleven new directors just before they walked the last mile. Back row, left to right: George T. Stockfleth, F. W. Zander and W. L. Holmes; front row: J. G. Purvis, F. G. Phillips, John R. Heery, Harold H. Berg, Herman M. Kessler and L. Merle Davis.

N.A.C.M. OFFICERS AND DIRECTORS 1951-1952

PRESIDENT

Lorne D. Duncan
National Distillers Products Corp.
New York 5, New York

VICE-PRESIDENTS

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American Screw Company
Willimantic, Conn.

Central Division

Victor C. Eggerding
Gaylord Container Corp.
St. Louis 2, Missouri

Western Division

D. M. Messer
Dohrmann Commercial Co.
San Francisco 11, Calif.

DIRECTORS

Emmett W. Below
Marathon Corp.
Menasha, Wisconsin
Harold H. Berg
Dakota Electric Supply Co.
Fargo, North Dakota
C. Herbert Bradshaw
Bausch & Lomb Optical Co.
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American Sugar Refining Co.
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Pittsburgh Plate Glass Co.
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John R. Heery
United Illuminating Co.
New Haven 10, Conn.
E. W. Hillman
The Federal Glass Co.
Columbus 7, Ohio
W. L. Holmes
Schlumberger Well Surveying Corp.
Houston 1, Texas
Arthur L. Jones
Armour and Company
Chicago 9, Illinois
A. G. Keller
Mellon National Bank & Trust Co.
Pittsburgh 30, Pa.
Herman M. Kessler
Standard Printing Co.
Louisville 2, Ky.
Eugene V. Kidd
Studebaker Corp.
South Bend 27, Ind.
H. J. Lowry
Michigan Mutual Liab. Co.
Detroit 26, Michigan
Holden E. McManigal
Summers Mfg. Company
Los Angeles 15, Calif.

R. G. Mills
Clowe and Cowan, Inc.
Amarillo, Texas
Russell W. Peterson
Puget Sound Power and Light Co.
Seattle 1, Washington
F. G. Phillips
Globe Machinery & Supply Co.
Des Moines, Iowa
James Gilbert Purvis
Atlantic Steel Company
Atlanta 1, Georgia
Irwin H. Raunick
Fairfreze Cabinets
Buffalo 23, New York
A. Edward Southgate
Phila. & Reading Coal & Iron Co.
Philadelphia 5, Pa.
George T. Stockfleth
California Wire Cloth Corp.
Oakland 4, Calif.
Irwin Stumborg
Baldwin Piano Co.
Cincinnati 2, Ohio
Frederick W. Zander
United States Plywood Corp.
New York 18, N. Y.

Amendments to Bylaws Voted During Second Session of Boston Convention

SEVERAL important changes in the Bylaws of the National Association of Credit Men were voted during the National Association's 55th Annual Credit Congress on Monday morning, May 14.

For some time there has been a feeling in certain parts of the country that the ten districts as originally constituted did not divide the country fairly since some districts had immeasurably larger membership than others and yet were not entitled to any extra representation on the National Board.

The National Board of Directors, therefore, proposed that the country be re-zoned into twelve districts in order to provide more equitable representation on the Board. This proposal was voted down during the Los Angeles Convention last year.

The National Board, however, submitted its proposal for a vote once again at Boston. In the meantime, however, the Associations comprising the Western Division submitted an alternate proposal calling for 13 districts which would enable those districts which felt they were in the Western Division to be incorporated in that division. This latter amendment was voted overwhelmingly.

As a result the National Association of Credit Men now has three divisions as before, but 13 districts. The full text of the section of the bylaws as amended follows:

AMENDED BY-LAW

Article III, Section 6. For the purposes of voting at regular and special meetings the membership of the Association shall be divided into 13 electoral districts as follows:

District 1. Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

District 2. New York, New Jersey.

District 3. Pennsylvania, Maryland, Delaware, Virginia, West Virginia, District of Columbia.

District 4. Georgia, Florida, North and South Carolina, Alabama.

District 5. Indiana, Lower Michigan.

District 6. Illinois, Wisconsin, Upper Michigan.

District 7. Kentucky, Tennessee, Ohio.

District 8. Missouri, Arkansas, Louisiana, Mississippi, Kansas.

District 9. Iowa, Minnesota, Nebraska, North and South Dakota.

District 10. Oklahoma and that portion of Texas lying East of 100 degrees longitude.

District 11. That portion of Texas lying West of 100 degrees longitude, New Mexico, Colorado, Utah, Montana, Wyoming, and that portion of Idaho lying South of 45 degrees latitude.

District 12. Arizona, California, Nevada, Hawaii.

District 13. Oregon, Washington, and that portion of Idaho lying North of 45 degrees latitude.

The preceding districts shall further be grouped into three major divisions as follows: The Eastern Division which shall include Districts 1 to 4 inclusive; the Central Division which shall include Districts 5 to 10 inclusive; the Western Division which shall include Districts 11, 12, and 13.

As a result of this vote minor alterations had to be made in other sections of the bylaws. The Nominations Committee now will consist of 31 members—two from each district and the five immediate past presidents, and the National Board of Directors will consist of 31 members—the president, the three vice presidents, and 27 Directors.

One interesting and no doubt comforting offshoot of this vote is that the state of Connecticut which has long considered itself part of New England is now restored to its proper place in District 1. For some reason, which seems to be beyond the understanding of all concerned with the last major change in the Constitution and Bylaws which was made in 1921, Connecticut was placed in District 2 and nobody noticed it until this year. Connecticut now, however, is officially a part of New England.

Increase in dues

The other major change in the Bylaws which was voted by a vote of approximately 3 to 1 was the addition of one dollar (from \$7.50 to \$8.50) in the per-capita dues payable by local Associations to the National Association of Credit Men. The original proposal by the Board was that the per capita dues should remain at the original figure of 7.50, and that an initiation fee of \$10.00 should be payable by each new member. However, the Eastern secretary-managers at their meeting in Tampa, Florida, March 8-10, voted to recommend to their Associations that instead of assessing each new member a \$10.00 initiation fee the per capita dues should be increased by \$1.00. This proposal was acceptable to the Association and was the one adopted at the National Convention.

Credit Research Foundation Elects New Trustees

Boston: Paul W. Miller, Marlborough Company, Atlanta, Ga., was reelected president of the Credit Research Foundation during the 55th annual Credit Congress in Boston, Mass. Harry J. Offer, Detroit Edison Company, was elected vice-president.

Three new trustees were also elected: Fred A. Cates, Arden Farms Company, Los Angeles; Frank E. Jerome, Seattle First National Bank, and retiring national president A. J. Sutherland, Security Trust & Savings Bank, San Diego.

Henry H. Heimann Honored Twice at Boston Congress



Henry Heimann admires his brand-new medal

Boston: Two things happened to Henry Heimann during the last session of the Boston Convention, both of them pleasant, and both of them unexpected. The first one was the presentation of a medal from the Credit awards committee in recognition of his contribution to the credit profession and for his outspoken support to sound fiscal policies.

No sooner had this medal been presented than Robert L. Simpson, past president of the National Association of Credit Men, and president of C. T. Patterson Co., Inc., New Orleans, on behalf of himself and all the other past presidents, presented Mr. Heimann with a very fine General Electric television set.

"Morty" Davis Given New Title by NYCFMA

New York: Mortimer J. Davis has been elected Executive Vice President of the New York Credit & Financial Management Association. He relinquishes his former title of Executive Manager and Secretary. Barrett R. Tanner, former Assistant Secretary, is now Secretary.

Milwaukee: The Milwaukee Association's May 23 meeting took place in the Lynde Recreation Hall of the Allen-Bradley Company. Elmer Kroening, credit manager of the company and a director of the Milwaukee Association, was host. The program consisted of refreshments, a buffet supper and entertainment.



Top left: Early arrivals register on Sunday morning.



Top right: President Sutherland is led to the platform Monday morning.

Center: Directors Young, Lowry and Bradshaw serenade the past presidents during the president's dinner Monday night.



Bottom: The scene on the platform as Henry Heimann gave his keynote address Monday morning.



News from the CREDIT WOMEN'S GROUPS

(More on page ???)

Once again the credit women can report a successful year. The number of groups has increased to 49 with a membership of more than 2500. Through the efforts of the credit women 181 new members were attracted to the National Association of Credit Men.

Eighty-one scholarships were awarded during this year. There is a marked rise in the number of credit women throughout the country who are taking advantage of the opportunity for advanced education in credit management.

Forty-eight women have served as chairmen of local Association standing committees during the year. 304 served on committees; 41 are directors of Associations and five were members of National committees.

When the Credit Women's Groups were organized their purpose was to foster credit management as a profession for women and to encourage education of women in credit work. The N.A.C.M. scholarship drawing was again a feature this year at the Annual Credit Women's Business Luncheon Mon. All groups who have sponsored scholarships were eligible for this award.

Throughout the entire year credit women have taken an active part in the Association Conferences. The attendance of women at these conferences, our inter-group meetings, and the National Credit Congress is a symbol of their wholehearted interest in the Association.

Pittsburgh: The Credit Women's Group of Pittsburgh ended their final business meeting of the year with an excellent speaker in Byron A. Boynton, general credit manager, Pittsburgh Consolidation Coal Co. His talk was a real discussion of credit women's responsibilities.

The new officers are: Anne E. Blazer, Land O' Lakes Creameries, Inc., president; Kathryn Polansky, A. T. Green Machinery Co.; vice-president; Elizabeth Reeder, Ranser & Dinger Co., treasurer, and Pearl Karwan, Credit Association of Western Pennsylvania, secretary.

Philadelphia: Mrs. Margaret Firth, of Elizabeth Arden, Inc., gave the members of the Philadelphia Credit Women's Group some ideas on how to take stock of their appearance during the group's May 10 meeting.

Davenport: The Credit Women's Group of the Quad City NACM held their last meeting of the year Tuesday, May 15 at the Club Mo-Kan in Davenport.

San Francisco: The San Francisco Credit Women's Group held its April meeting and installations of officers April 18. New officers installed were: Bertha



This picture was taken just before the Credit Women's luncheon. Left to right; Miss Elsie Gregg, president of the Boston Credit Women; Miss Marion McSherry, National Chairman, and Mrs. Reggia DeForge Griffin, credit women's committee chairman.

Marie Ferguson, secretary to the Credit Women's groups for the past ten years, was honored in absentia during the credit women's banquet Wednesday, May 16. Miss Ferguson was unable to be present on account of sickness.

In recognition of her ten years' service she was presented with a gold bracelet watch on which was engraved "To Marie — Credit Women's Groups — 1941-1951—Semper Fidelis."

A telegram from Miss Ferguson was read at the banquet: "To my dear friends, the credit women—words cannot express my sincerest appreciation for your beautiful gift. This watch shall always be one of my most loved and cherished possessions. Sorry I can't be with you. My best wishes to all the credit women, past national chairman, executive committee and presidents I have worked with during the past ten years. They have been happy ones. Marie Ferguson."

Jonovic, The Procter & Gamble Distributing Company, president; Jeanne DeChene, Gilbreath Chemical Company, vice-president; Florence Leal, Rathbone, King & Seeley, treasurer and Virginia Anderson, Northrup King & Co., secretary.

The evening was marked as "old timers' night."

New York: The New York Credit Women's Group was privileged at their last meeting, held May 3 at the Warwick Hotel, to view the film "Man's Confidence in Man." This film proved to be of great interest to those attending the meeting. The final meeting of the season will be held June 7 at the Belmont Plaza Hotel at which time the new slate of officers will be installed. Those chosen to lead the Group during the coming season are: Miss Mildred S. Salmon, President; Mrs. Polly L. Boker, Vice-President; Miss Jessie Rothberg, Secretary, and Miss Reggie Cole, Treasurer.

Chicago: The Credit Women's Club of Chicago held its June meeting Tuesday, June 12th at the Chicago Bar Association, 29 South La Salle Street, 6:15 P. M.

The program included presentation with slides on "Know Your Association", which were interesting to our new members, as well as old members.

Emily Davidson and Jenny White reported on the business conducted and the entertainment highlights of the May Convention in Boston.

Kansas City: The Kansas City Credit Women's Club had its meeting Friday evening, May 11th. New officers were installed. Mrs. Beatrice Bateman is the new President of the Club.

A local radio artist entertained. Miss Shirley Gresham, Job Training Director for a Kansas City department store, talked on how to train personnel to do their job.

Three scholarships were awarded to be used in the Fall classes. Miss Genevieve Byrne, who earned the highest grades in the past year classes, explained some of the advantages of the credit classes.

Top left: Miss Annie Porter, past national director from Santa Fe, N. Mex., accepts a Gruen watch on behalf of the Amarillo membership chairman.

Top center: Harley T. Blake points out the location of his group meeting to Mrs. J. B. McKelvy.

Top right: Paul E. Hunter was moderator of the forum Wednesday morning and the panel is shown center row, left.

Center right: Granger H. Smith receives the grand prize for the letter-writing contest from Les Fishbeck.

Bottom left: National membership chairman Ed Ronnau presents membership trophy to Houston, represented by W. H. Arnold, Magnolia Petroleum Co. (left), R. C. Nitze, W. L. Macatee & Sons, Inc., and Association secretary R. C. Weatherly, Jr.

Bottom right: The beginning of an evening by the shore.





The Akron members were so proud of their turnout that they had a photographer come and prove they were not exaggerating.

Akron Members Are Guests of Goodrich

Akron: The members of the Akron Association were the guests April 25 of E. A. Doerschuk, assistant treasurer and general credit manager of the B. F. Goodrich Company, at the company plant.

A complimentary dinner was served in the company dining room after which the credit operations of the company were explained in detail. Several officers from Cleveland made a special trip for the meeting.

Past Presidents' Night Celebrated at Hartford

Hartford: On Wednesday, May 23, the Hartford Association of Credit Men held its annual past presidents' night at the Wethersfield Country Club. The guest star of the evening was a magician, William Greenough, national vice-president of the Society of American Magicians.

The meeting was preceded by an afternoon golf tournament.

Johnstone Promoted By Norton Company

Worcester: Robert W. Johnstone became credit manager of Norton Company May 1st. He succeeds John Miller who will continue as credit consultant and will assist the treasurer's office on financial problems.

Mr. Johnstone joined Norton's credit department in 1940 and was appointed assistant credit manager in 1942. He has 33 years of credit experience.

Joseph Miller Elected Terre Haute President

Terre Haute: Joseph Miller, Sterling Midland Coal Co., was elected president of the Terre Haute Association of Credit Men during the social dinner meeting held May 8.

Other officers elected are M. R. Sweringer, Ranes O'Daniel, Inc., vice-president; Ralph Stohr, Security Loan Co., treasurer and George O. Nichols, Public Loan Co., councilor. Miss Wanita I Gilchrist, Mid-Continent Petroleum Corp., was re-elected secretary.

Louisville: The Louisville Credit Men's Association will hold its annual summer frolic at the French Lick Springs Hotel, French Lick, Indiana, August 11 and 12.

MEMBERSHIP PROGRESS REPORT

MAY 1, 1950 to APRIL 30, 1951

CLASS AA	Net Gain	Members 4-30-51	Percent.
Louisville	67	1149	106.19%
San Francisco	67	1319	105.35
New York	66	3342	102.01
CLASS A			
Rochester	114	735	118.35%
Boston	58	712	108.86
Seattle	55	686	108.71
CLASS B			
Houston	45	308	117.11%
San Diego	31	484	106.84
Denver	22	374	106.25
CLASS C			
Syracuse	36	266	115.65%
Buffalo	19	202	110.38
Des Moines	15	255	105.41
CLASS D			
Green Bay	11	141	108.46%
Hartford	3	107	102.88
Oklahoma City	3	130	102.36
CLASS E			
Cape Girardeau	50	113	179.36%
Charlotte	39	105	159.09
Miami	39	110	154.92
CLASS F			
Amarillo	21	74	139.62%
Mansfield	21	80	135.59
Quincy	11	52	126.82
CLASS G			
Topeka	25	40	266.66%
Lubbock	7	29	131.81
Roanoke	6	31	124.00

Kane Heads Iowa Credit Men

Des Moines: W. G. Kane, Central National Bank & Trust Co., has been elected president of the Central Iowa Unity, NACM. Ed Foster, Hoxie Fruit Co., is vice-president.

Pittsburgh Gives Scholarship To Graduate School

Pittsburgh: The Board of Directors of the Credit Association of Western Pennsylvania has authorized the Association's Credit Education Committee to award a scholarship to a student in the first year class at the Graduate School of Credit and Financial Management. This year's session of the school commences August 5 at Dartmouth College, Hanover, N. H. The scholarship will cover tuition and expenses up to \$400.00 and will be available to any employee of a member company who is qualified to attend.

President Sutherland Feted In Omaha On Way To Boston Convention

Omaha: A. J. Sutherland, Security Trust & Savings Bank, San Diego, president of the NACM, stopped off at Omaha on his way East for the 55th annual Credit Congress. W. Dale Clark, president of the Omaha National Bank gave a luncheon for him May 7 and in the evening the Omaha Association honored him at a dinner.

Top left: President Duncan is escorted to the platform by past vice-president Joseph Rubanow and director Frederick W. Zander.

Top center: Past president Simpson presents a television set to Henry H. Heimann.

Top right: Vice-presidents Lane, Eggerding and Messer (l. to r.) are led to the platform.

Center: Boston committee chairmen are congratulated by convention director Frederick H. Schrop (sixth from left).

Bottom left: Mrs. Duncan is led to the platform. (Note the unique band the Bostonians hired.)

Bottom center: President Duncan is officially installed by retiring president Sutherland.

Bottom right: Past president Callaway presents a silver tea service to Mr. and Mrs. Sutherland.



Petroleum Credit Men Hold Meeting In New York City

New York: The Association of Eastern Petroleum Credit Managers held their 14th Annual Conference April 16-18. A. G. Shipp, Tide Water Associated Oil Company, General Chairman. A. L. Freitag, Socony-Vacuum Oil Company, Inc., was in charge of the program arrangements.

The credit executives present discussed many subjects indigenous to their profession. To judge from the comments made at the meeting the credit manager is in need of more information than he has been getting about prospective dealers and heating oil customers.

Several large companies are apparently having trouble with financing dealers. In fact many of them have to make special arrangements.

The consensus seems to be that the companies are not pushing oil heating budget plans. The plans are available but that is all.

Practically the entire program was devoted to forum discussions on such matters as credit department organization and personnel, and public relations; service station dealers; distribution; credit cards and expense.

Two outstanding addresses were delivered during the meeting—one during the luncheon on Tuesday, April 17, by Henry H. Heimann, Executive Manager of the National Association of Credit Men, whose subject was "The Impact of a Preparedness Program on a Credit Economy." The other by Thomas H. Nelson, Management Consultant, on "What Makes a Manager Modern in His Thinking?"

Association Officers—Elected president of the association was J. C. Stacks, Atlantic Refining Co., Pittsburgh. Named to vice presidencies were R. G. Bannister, Cities Service, Philadelphia; W. A. Foote, The Texas Co., Buffalo, and H. D. Van Tassel, Esso Standard, New York. Re-elected were F. Raymond Kramer, Mineola, N. Y., credit and financial consultant, secretary-treasurer, and Dudley R. Meredith, executive manager of the Credit Association of Western Pennsylvania, assistant secretary-treasurer.

Syracuse, New York: April 24, 1951, the Women's Group of the Syracuse Association of Credit Men held their monthly meeting at the Onondaga Hotel in Syracuse. They observed "Bosses' Night" and had as their principal speaker Miss Marion McSherry, National Executive Chairman, of Schenley Affiliates, New York City. She gave a very inspiring talk, the subject of which was "Where Are We Going" financially, spiritually, militarily and in the field of credit.

Our president, Miss Doris Pursey, brought to our attention that Syracuse will be the hosts for the annual Northeast Credit Conference to be held next October.

Tampa: The Hub, magazine of the Tampa Rotary Club, recently featured an article on the Tampa Association of Credit Men written by the Association's secretary Duval M. Smith. In his article Mr. Smith pointed out the many contributions the Tampa Association has made to the businessmen of Florida in its 37 years of existence.

Portland: New officers of the Credit Women's Group of the Portland Association of Credit Men were installed May 10th with a banquet preceded by a reception, at the Heathman hotel. The new officers are: president, Mrs. Mary Barbagelata; vice-president Mrs. Georgia Noble; secretary, Mrs. Esther Skelton; treasurer, Miss Meg Ramage; directors: Mrs. Maureen Kelley, Miss Elizabeth Moorman and Mrs. Irene Lines. Special guests at the banquet were members of the board of directors of the Portland Association of Credit Men and their wives.

Two scholarships were awarded this year.

New Orleans: Miss Dorothy Wyllie, Gulf Refining Co., has been elected president of the New Orleans Credit Women's Group. Miss Marcella Ritter, James E. Comiskey Co., is vice-president; Miss Katharine Bridges, Pittsburgh Plate Glass Co., is treasurer and Miss Muriel Kaupp, The Flintkote Co., is secretary.

Omaha: The Credit Women's Group of Omaha held their regular monthly dinner meeting at the Fontenelle Hotel, April 12th at 6:00 P. M. Professor Wm. Utley of the Omaha University gave a most interesting talk on "Who Calls the Shots", a timely topic in view of the present political situation.

The annual election of officers was held, and the following were elected for the 1951-1952 term: Miss Ann Yanick, president, Miller Electric Co.; Miss June Ellison, vice-president, Rivett Lbr. and Coal Co.; Miss Mabel Cogswell, secretary, Roberts Dairy Co.; Miss Fern Tucker, treasurer, Barnhart Press.

Binghamton: Officers for the coming year were elected during the May 16 meeting of the Triple Cities Credit Women's Group. They are: Edna Groner, Newell & Truesdell Company, president; Marie Patterson Industrial Bank, vice-president; Mary McGraw, Binghamton Container Company, secretary and Myrtle Fiester, Newing Equipment Company, treasurer.

Oakland: The Oakland Credit Women's Group held their regular monthly meeting at the Robin Hood Inn on May 28th. The meeting was delayed until this time to facilitate Mr. Kenneth C. Bugbee's return from the Annual Credit Conference held this year at Boston, Mass. Mr. Bugbee, main speaker for the evening, told of the interesting meetings and discussions held at the convention and of many amusing incidents.

Philadelphia: At the biennial meeting on April 12 of the Philadelphia Credit Women's Group the following officers were elected for a term of two years:

Miss Laura M. Peirson, Hajoca Corp., president; Elizabeth C. Gaynor, M. A. Hanna Co., vice-president, and Ruth M. Collings, Ninth Bank & Trust Co., treasurer. Lyzabeth M. Klinger, Credit Men's Association of Eastern Pa. was re-elected secretary.

Milwaukee: Helen Flood, Globe-Union, Inc., has been elected president of the Milwaukee Credit Women's Group. Mona Navarra, M. J. Lavorgna Co., is vice-president; Bernice Biever, Harnischfeger, Inc., is secretary and Margaret Esser, Neidhoefer Co., is treasurer.

Pittsburgh: The Pittsburgh Credit Women's Group held its annual Spring meeting at the Roosevelt Hotel, May 23. Past president Emma Hamilton installed the newly-elected officers.

The guest speaker was Marion Foster Smith, whose subject was "Great Possessions."

St. Louis: The May meeting of the club was held May 24, 1951 at the Melbourne Hotel.

The speaker was Mr. Raymond C. Gordon, Credit Manager, Shell Oil Company, whose subject was "The Future of the Credit Profession."

Philadelphia: The Philadelphia Credit Women's Club held their annual June luncheon June 9 at Aronimink Country Club.

Mrs. Harold V. Hartman gave a demonstration of textile painting. The program also included a floor show.

Chicago: Ralph B. Brundrett, formerly controller of the Skilsaw, Inc., has been elected treasurer of the company. Formerly vice-president and treasurer of the Hamilton-Brown Shoe Co., St. Louis, Mr. Brundrett joined Skilsaw in 1945.

OBITUARY

Francis E. Hearn

Youngstown: Francis E. Hearn, president of the Youngstown Association in 1909, died April 14 in the Bethesda, Md., hospital. A pioneer member of the Youngstown Association of Credit Men he was, at the time of his death, the oldest living past president.

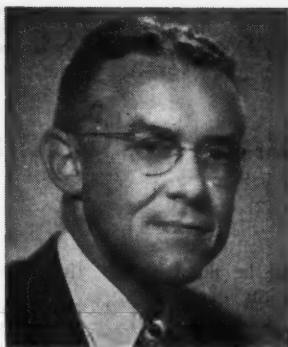
Mr. Hearn was chairman of the board of the Hearn Paper Co., which he helped to found in 1909. His company has been active in the Youngstown Association ever since. As a matter of fact, his successor in the Association, George Osborne, now retired, was president in 1933 and Mr. Osborne's successor, James Boyd, is currently vice-president of the Association.

Dennick M. Wick

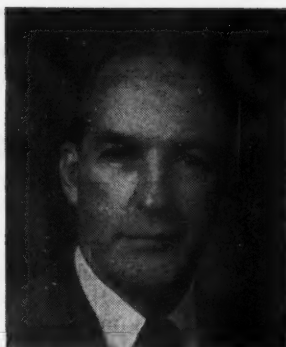
Youngstown: In one month two past presidents of the Youngstown Association passed away. The second was Dennick M. Wick, president during 1929-1930.



KANSAS CITY
O. D. Cunningham
General Electric Supply Co.



SEATTLE
Gordon C. Holden
Zellerbach Paper Co.



TOLEDO
R. H. Melone
Electric Auto-Lite Co.



FORT WORTH
Y. D. Early
Jahns Supply Co.

ASSOCIATION PRESIDENTS

Convention time is over and we have a new National President, and a good one.

We should not, however, let National affairs over-shadow local Association elections, for the local Association today is voting the officers of the National Association tomorrow.

Give a little thought, therefore, to the president of your local Association. His importance in the over-all scheme is tremendous. He is the man who actually makes the National Association run. It is from the local Association presidents that the National can hope to draw men capable of handling National office.



TERRE HAUTE
Joe Miller
Sterling-Midland Coal Co.



MADISON
F. J. Mazer
Oscar Mayer & Co.



EVANSVILLE
Charles W. Kroener
S. Ind. Gas & Electric Co.



LANSING
Edward P. Minich
Michigan National Bank



CANTON
Edmund F. Marlowe
The Hoover Co.



KNOXVILLE
J. C. Terry
C. M. McClung Co.

STATEMENT OF POLICY AND RESOLUTIONS

Of the National Association of Credit Men

THE Committee on Policy and Resolutions for the 55th Annual Credit Congress meeting in Boston, May 13th to 17th, has given careful consideration to the many problems which have a bearing today upon the credit soundness of the American economy, and as a result of its deliberations present for the consideration of this Congress these resolutions:

Prompt payment by government agencies

WHEREAS many businesses are receiving substantial government orders, and whereas most businesses are dependent upon the receipts from their shipments to meet their own payments, and whereas any delay in receiving their collections affects their credit standing in the community and limits their ability to make greater contribution to the defense effort,

THEREFORE be it resolved that this 55th Annual Credit Congress of the National Association of Credit Men representing a nation-wide membership of 31,000 manufacturing, wholesale and financial institutions meeting at Boston, Massachusetts, May 13-17, 1951, present this resolution to the Director of Defense Mobilization, Mr. Charles E. Wilson, with the request that he issue directives to the proper disbursing officers to make prompt payment in accordance with contract terms on all invoices that are properly due for payment.

Abolition of RFC

The Reconstruction Finance Corporation was created in 1932 as a Government lending agency for the purpose of financing private business, in the public interest, at a time when private credit sources were limited.

WHEREAS, recent revelations indicate that continuance of the Reconstruction Finance Corporation beyond the required need for its existence has led to loan activities contrary to the public interest and contrary to sound credit principles,

THEREFORE, BE IT RESOLVED that the 55th Annual Credit Congress of the National Association of Credit Men representing 31,000 manufacturing, wholesale and financial institutions meeting at Boston, Mass., May 13-17, 1951, herewith petitions the Congress to abolish the Reconstruction Finance Corporation.

On good government

WHEREAS recommendations have been made by Mr. Heimann in his address on "Experience or Expediency" and Mr. Andrews in his address on "Freedom's War on Waste" before the 55th Annual Credit Congress of the National Association of Credit Men regarding the efficient operation of the Federal Govern-

ment, which addresses will be published in the National Association of Credit Men's magazine, "Credit and Financial Management",

THEREFORE IT IS suggested that the members of the National Association of Credit Men individually acquaint themselves with these facts, and direct to the attention of their representatives in Congress a request for such action as will insure a sound efficient government and a fair fiscal policy.

The Hoover Commission

WHEREAS four years ago Congress created the bi-partisan Commission on Organization of the Executive Branch of the Government, which under the efficient leadership of Herbert Hoover made many excellent recommendations to the President and the Congress, and

WHEREAS as a result of the Commission's report and the work of the Citizens Committee for the Hoover Report, 50% of the recommendations have been put into force with a consequent annual saving of more than two billion dollars, and

WHEREAS there was introduced on March 15 to the Senate, in a program of bi-partisan co-sponsorship led by twenty leading Senators, nineteen bills covering the remaining 50% of the recommendations of the Hoover Commission. These, together with some forty reorganization plans proposed by the White House, will complete the most definitive and comprehensive single legislative program ever set forth to install efficiency and economy in our Federal Government, and

WHEREAS the adoption of the balance of the Commission's recommendations promises lasting benefits to all citizens, not only in terms of economy and efficiency, but also in terms of effective use of our resources, human and material, in the cause of world peace and progress. This action will also result in an annual saving of about six billion dollars, and will help retard inflation.

THEREFORE, BE IT RESOLVED, that the National Association of Credit Men, in its 55th Annual Credit Congress held in Boston, Massachusetts, May 13-17, approves the recommendations of the Hoover Commission and of the work being done by the Citizens Committee for the Reorganization of the Executive Branch of the Government, and urges upon Congress favorable action at an early date in adopting the nineteen bills covering the remaining recommendations of the Hoover Commission.

IT IS FURTHER RESOLVED that copies of this resolution be sent to the President of the United States, to all members of the Congress and to the Citizens Committee for Reorganization of

the Executive Branch of the Government.

Equality of taxation

WHEREAS the defense program of the United States will require an increasing amount of monies to finance this effort in addition to regular Government expenditures,

AND WHEREAS substantial amounts of taxes will be assessed against the profits of industry,

AND WHEREAS many cooperatives have changed the scope of their operations from the purposes for which they were formed and are now competing with private industry without paying taxes on their profits,

THEREFORE be it resolved that the 55th Annual Credit Congress of the National Association of Credit Men representing 31,000 wholesaling, manufacturing and financial institutions meeting at Boston, Massachusetts, May 13-17, 1951, again restate its position and request the members of the United States Congress to consider as equitable tax law for all profit earning enterprises.

War damage insurance

WHEREAS, there are now pending in the Congress of the United States a number of bills relating to the protection of the nation's economy from the effects of war damage and,

WHEREAS, the economy of this country is largely based upon credit and its extension, and

WHEREAS, in the present status of world affairs, no one can foretell when the calamity of war may fall upon us, and

WHEREAS, business must be assured that in the event of war damage the credit structure of the nation will be preserved through some assurance by our Government that such damage will be compensated and

WHEREAS, the possible catastrophic effect of war damage on self-insurers and insurance companies, particularly those writing workmen's compensation lines, might impair the solvency of such companies and prevent the fulfilment of the ordinary peacetime obligations which they have assumed both to credit grantors and their customers and to the public generally.

Now, THEREFORE, the National Association of Credit Men representing a nation-wide membership of 31,000 manufacturing, wholesaling and financial institutions in the 55th Annual Convention assembled in the City of Boston, Mass., May 13-17, 1951, does hereby

RESOLVE that the Congress of the United States as quickly as possible pass appropriate legislation providing reasonable protection to the nation's business from war loss or damage to property,

real and personal, through reinsurance for reasonable protection against liability which may be imposed as a result of acts of war, and it is

FURTHER RESOLVED, that a copy of this resolution be forwarded to the President of the United States and the appropriate committees of both Houses of Congress dealing with War Damage Legislation and to each and every member of such Houses.

Bonds on construction works

WHEREAS, for over fifty years credit men granting credit to contractors and their sub-contractors serving the United States Government, have found the statutory requirements for surety bond protection for those furnishing labor and materials in the prosecution of public works of great benefit in minimizing the risk of credit losses in connection with such public works, and

WHEREAS, the most practical way of minimizing such credit risks is through the coverage offered by surety bonds, and

WHEREAS, under Presidential Executive Orders power has been granted to the Secretary of Defense and certain federal agencies and departments to waive bond protection for labor and materials, and

WHEREAS, it is our understanding that this power of waiver has not yet been implemented by the federal departments and agencies concerned,

Now, **THEREFORE**, the 55th Annual Credit Congress of the National Association of Credit Men, representing a nation-wide membership of 31,000 manufacturing, wholesale and financial institutions in Annual Convention assembled in the City of Boston, May 13-17, 1951, does hereby **RESOLVE**, that the Secretary of Defense and other federal departments and agencies are respectfully urged not to invoke the power to waive payment bonds for fixed prime contracts granted under the aforesaid Executive Orders except under the circumstances of the direst national emergency, and it is **FURTHER RESOLVED**, that a copy of the resolution be transmitted to the Secretary of Defense and such other officials of the United States granted powers of implementation under the aforesaid Executive Orders.

Credit controls

WHEREAS our National legislative bodies have considered it advisable to permit certain restrictions to be placed on the extension of consumer credit which has important effects on our economy it is therefore urged that regulations of this character be reviewed periodically in the light of experience and be changed as conditions warrant and discontinued as soon as practical.

Therefore be it **RESOLVED** that the 55th Annual Credit Congress of the National Association of Credit Men representing 31,000 manufacturing, wholesaling and financial institutions meeting at Boston, Massachusetts, May 13-17, 1951 directs that a copy of this resolution be sent to the Secretary of the Treasury, the Secretary of Commerce and to

the members of the United States Congress and the appropriate Federal Agencies.

Appreciation resolutions

Coming to New England and to historic Boston has been a most pleasing experience for all, due to the cordial hospitality and solicitous concern for our comforts, welfare and entertainment shown by the members, the Officers and the staff of the Boston Credit Men's Association. Therefore, we express our hearty appreciation, gratitude and thanks to President William C. Mall, to Edwin M. Wolley, General Chairman and his Executive Committee, to Henry J. Lamb, Executive Manager, to their associates and to the members of the various Committees of the Boston Credit Men's Association for all that has been done to make our stay here so pleasant and profitable.

To the Hostess Committee and especially to Mrs. Edwin M. Wolley and her efficient co-Chairman Mrs. James N. Jones, we are deeply indebted for the gracious hospitality and the well planned entertainment afforded our wives and daughters.

The cooperation of the press has been splendid, and we gladly express our hearty thanks and appreciation to the Christian Science Monitor, the Boston Herald and Traveler, the Boston Globe, the Boston Post and the Boston Record and American. To the Associated Press, to the International News Service, the United Press, to the Daily News Record of New York, and to other news media which have so effectively brought to the public the thoughts and actions of this Credit Congress.

Our stay in Boston has been made more pleasant by the courtesy and thoughtful manner in which our many needs, wants and comforts have been fulfilled by the various hotels in which we have been domiciled.

POSITIONS WANTED

Employed industrial credit manager, national scale. Executive assistant, policy level. Organized credit department present employer. Sales minded, with accounting, legal and administrative background; also languages. Government contracts, etc., seeks position larger scope with progressive organization. Age 32, Family. Box J-1, Credit and Financial Management.

Credit and collection manager, presently employed. Experienced in handling retail food store accounts, together with considerable experience in analysis of financial statements of distributors and food manufacturers. Supervisor of department. Age 37, married, one child. Willing to relocate for good opportunity. Box J-2, Credit and Financial Management.

Credit Manager—Veteran, 29, B.B.A. degree with post graduate courses. Mercantile and retail credit and collections experience in soft and hard goods lines. Background of accounting, sales, credits, claims and adjustments. Do own correspondence. Seeks interesting position. Resume submitted upon request. Box J-3, Credit and Financial Management.

Credit Manager—Extensive hard goods experience on volume basis with minimum loss record. Commercial financing background with proven ability to arrange dealer wholesale and retail financing at local bank or finance company level. Thoroughly familiar with warehousing procedures, sales promotion, exhaustive collection techniques and sales to contractors on job secured basis. Available for Southern California assignment on 30 day notice. Abstract and personal history on request. Box J-4, Credit and Financial Management.

Knoxville Elects Terry President

Knoxville: J. Clifford Terry, C. M. McClung Company, was elected president of the Knoxville Association of Credit Men at the annual meeting April 10, 1951. He succeeds Frank Higdon, T. L. Lay Packing Company.

Mr. Terry has served the Knoxville Association as treasurer, vice-president, director. His past experience in these offices and committees gives him an excellent knowledge of the services and operations of the Association.

Mr. Terry has been connected with the C. M. McClung Company since 1928 and in the credit department since 1940. He is the sixth President of the Knoxville Association from the C. M. McClung Company, a wholesale Hardware Company.

Omaha Credit Women Entertain Members at May 24 Meeting

Omaha: The members of the Omaha Credit Women's Group were hosts to the members and their wives and friends of the Omaha Association of Credit Men at the Blackstone Hotel on Thursday evening, May 24, at 6:00 P. M. Besides a delightful evening of entertainment there were prizes for all guests donated by the membership. Preceding the entertainment the annual election of officers and directors was held with the following elected:

President—Norbert G. Bausch, Henry W. Miller Electric Company; First Vice-President—Edwin N. Solomon, First National Bank; Second Vice-President—W. Don Eck, Paxton & Gallagher Company.

Jacksonville Holds Semi-Annual Banquet

Jacksonville: The Jacksonville Association held its semi-annual banquet and dance at the George Washington Hotel April 28. More than 150 attended.

The meeting began with a cocktail party from six to seven p. m. followed by the banquet. The principal speaker was Dean Walter J. Matherly of the College of Business Administration, University of Florida. The speech, which was much enjoyed, was entitled "Private Roads to Public Service", the roads being voting, earning, saving and investing, and wise spending.

The evening concluded with dancing until 1 a. m.

Pure Oil Company Appoints Montgomery Credit Manager

Chicago: William H. Montgomery has been appointed general credit manager of The Pure Oil Company. He succeeds W. W. Rogers who is retiring after over a quarter of a century of service with the Company.

Midwest Photo Group Meets in Cleveland Hotel

Chicago: The Chicago-Midwest Photographic Manufacturers and Distributors Credit Group of the Chicago Association of Credit Men were hosts at an all-day Conference at the Carter Hotel, Cleveland, April 13, for credit executives in the photographic industry.

Raymond J. Moudry, Revere Camera Company, Chicago, was chairman of the conference and moderator for the panel discussion. W. L. Haney, The Chicago Association of Credit Men, and W. W. McAdam, the National Association of Credit Men, acted as secretaries.

At the morning session, R. L. Galloway, general credit manager, the Eastman Kodak Company, Rochester, N. Y., spoke on the subject, "What My Company has Done to Stimulate Interest in Good Business Management Among Our Customers". His remarks were very interesting and as a result the Group asked many questions which Mr. Galloway answered.

In the afternoon, there was a panel discussion on, "Cash Discounts", "Discounts on Federal Excise Taxes", "Collections", and kindred subjects of mutual interest. The following members of the panel acted as leaders in the general discussion, J. George Jay, O. W. Ray Corporation, New York, Arlene M. Glaser, Radiant Manufacturing Company, Chicago, R. H. Groppe, Arel, Inc., St. Louis, and H. B. Richards, Bell and Howell Company, Chicago.

Des Moines: The credit men of Des Moines and vicinity held their annual May party at the new Golf and Country Club May 15.

Cleveland Holds Its 52nd Annual Meeting

Cleveland: The 52nd annual meeting of the Cleveland Association of Credit Men was highlighted by a talk by Dr. Paul H. Fall, president of Hiram College, on "An Ancient and a Modern Miracle."

Dr. Fall is president of the Ohio College Association and was a speaker at the 52nd annual Credit Congress in Cleveland in 1948.

Pittsburgh Hears Talk on Creditors' Committees

Pittsburgh: Ralph N. Leitzell, vice-president and treasurer of the Federal Machine and Welder Company, Warren, Ohio, addressed the Credo Club of the Credit Association of Western Pennsylvania on Tuesday, April 24. He discussed the operation of a company under the guidance of creditors' committee.

Election Time Is Here Again!

St. Louis

St. Louis: The St. Louis Association of Credit Men held its annual meeting and dinner dance at the Chase Hotel May 26. The new officers are: Joseph G. Otte, Peter Hauptmann Tobacco Co., president; William A. Pearl, Koochook Co., Inc., 1st vice-president; R. O. Bair, York Corporation, 2nd vice-president.

Columbus

President, F. W. Cavanaugh, Denison Engineering Co.
Vice-President and Treasurer, E. W. Hillman, Federal Glass Co.
Secretary, A. M. Sutherland, Mill Mutuals

Kansas City

President, O. D. Cunningham, G. E. Supply Corp.
1st Vice-President, Joe C. Acuff, Butler Manufacturing Co.
2nd Vice-President, H. E. Wood, H. D. Lee Co., Inc.

Pittsburgh

President, John S. Nichol, Harris Pump & Supply Company.
First Vice-President, J. H. Donovan, Jones & Laughlin Steel Corporation.
Second Vice-President, T. D. Sheriff, Hamburg Bros.
Treasurer, M. V. Johnston, Gulf Oil Company.

Toledo

President, R. H. Melone, Electric Auto-Lite Company.
1st Vice-President, A. L. Johnson, Gross Photo Supply Company.
2nd Vice-President, A. H. Teize, Hankey Sales Company.
Treasurer, H. H. Emery, Plaskon Division, L-O-F Glass Co.

Madison

President, Frank J. Mazer, Oscar Mayer Company.
Vice-President, E. J. Griffin, Ohio Chemical & Surgical Equipment Co.
Secretary, John Conway, Pure Oil Company.

Detroit

President—Charles H. Fischer, Carboly Co., Inc.
1st vice-president—John C. Hoffman, Huron Portland Cement Co.
2nd vice-president—H. L. Cottrell, General Electric Supply Co.
Treasurer—Rodkey Craighead, The Detroit Bank.

Milwaukee

President—Howard C. Hartman, L. J. Mueller Furnace Co.
Vice-president—Elmer Kroening, Allen-Bradley Co.
Treasurer—Arthur Bergner, Westinghouse Electric Supply Co.

Cleveland

President, Fred J. Bitterman, Eberhard Manufacturing Co.; 1st Vice President,

David H. Hotchkiss, The Petrequin Paper Co.; 2nd Vice President, Richard B. Payne, National Screw & Manufacturing Co.; Treasurer, Harry L. Reynolds, The Thew Shovel Co.

Dallas Wholesalers and Retailers Hold Meeting

Dallas: The retail and wholesale credit men of Dallas met for a joint meeting on Thursday, May 24. Dr. Arthur Smith, former professor of economics at Southern Methodist University, now vice-president of the First National Bank in Dallas, was the speaker.

Airline Executive Is Speaker at Detroit's 55th Annual Meeting

Detroit: Jennings Randolph, assistant to the president, Capital Airlines, addressed the 55th annual meeting of the Detroit Association of Credit Men on Tuesday evening, May 8. His subject was "the present crisis."

The speaker served in the United States Congress from 1933 to 1947.

Little Rock Ex-President Appointed to New Position

Little Rock, Ark.: W. G. Sieber, Meyer Brothers Drug Co. left May 21 to take up his new position as treasurer in the St. Louis office. He has been a resident of Little Rock for many years and has served the Little Rock Association in several capacities, including two terms as president, and several years as vice-president and director. He has been a member of the executive board of the Little Rock Association ever since he was sent to Little Rock from St. Louis.

Chicago Plans Several Summer Golf Outings

Chicago: The Chicago Association of Credit Men has again planned a full schedule of golf outings for the summer months. In June they will hold their golf meeting at the Itasca Country Club, in July at the Mount prospect Country Club and in August at the Medinah Country Club and in September they plan an all-day outing at the Nordic Hills Country Club, Itasca, Illinois.

The electrical Manufacturers Group of the New York Interchange Bureau held its monthly meeting May 31. Ward Berry, Ward Leonard Electric Co., started the session with a resume of the Electrical Manufacturers Group Meeting at the Boston Convention. Following his presentation the members held a "credit Clinic" on new accounts, credit files, customer contacts, credit letters and controls.

Comparisons Yield the Answer

(Continued from page 20)

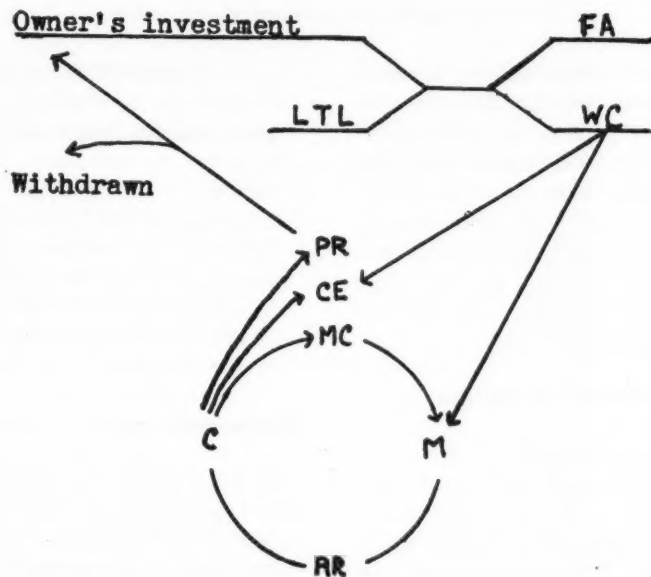


Fig. 5. THE COMPLETE CIRCULATION OF FUNDS WHEN PROFITS ARE EARNED. Owner's investment plus long-term loans (LTL) supply funds for fixed assets (FA) and working capital (WC), in the form of working cash (CE), merchandise (M), etc. Cash income from trading (C) pays merchandise creditors (MC), replenishes CE, and leaves a profit (PR). Owner withdraws PR or adds it to his investment in the business. Thence it may be used to reduce LTL, or it may flow into FA; or into WC in the form of increased CE, M, etc.

Fig. 5

Divide net profits by net sales.

Divide net profits by net worth.

Compare to standards. Repeat the operation for previous years. Is the trend of earnings favorably comparable to earnings of similar businesses?

Now from statement to statement trace the retention of earnings; investment of additional capital; size of fixed assets; increases or decreases in funded debt. And if the trend of adequacy of working capital is downward from statement to statement, ask yourself: (1) Is this accounted for by failure to earn and retain sufficient profits? (2) Or by deflection of earnings and working capital into expanding fixed assets? (3) Or by losses?

Thus in tracing these directions and trends we are in position to determine whether working capital is likely to be further expanded or contracted in the future and so answer section (c). And considering

(a), (b), and (c) as a whole we can reach a "yes" or "no" answer to the whole first part of our crucial question dealing with whether bills can be paid *if trends continue*.

The remainder is easy, after the preliminary ground we have covered. If the answer to part (1) is "yes, if these trends continue, bills can be paid," can we count on our customer to continue the trends in the light of anticipated economic problems: if it is "no, bills will not be paid if these trends continue," can we count on him to reverse the trends?

Back a few chapters ago we examined the man Jones, our customer, with thoroughness. We should know him pretty well by this time, and so be able to reach a decision. And the degree to which we believe he will be able to carry on favorable trends or reverse unfavorable ones will determine whether we accept his credit, with or without limitations; reject it flatly; or take his business under our wing.

NEXT MONTH

More talks from the 55th annual Credit Congress and an article on the proper use of a bank credit department. Look out for them.

Efficiency TIPS

The following literature will be of special interest to executives. Unless otherwise stated, it will be furnished on request to either company, or Editor of CREDIT and FINANCIAL MANAGEMENT.

101. Wilson Jones Company offers a booklet on their new mail opener.

102. Times Facsimile Corporation announced a new stencil, which, they claim will give 10,000 copies.

103. Paramount Dictating Machine Corporation announced a new booklet available on request, telling how old dictating machines can be converted to more efficient use.

104. The Staplex Company offers a booklet on more efficient stapling equipment.

105. The Rising Paper Company offers a booklet on letterheads, design and modern trends.

106. Personnel Materials Company offers a booklet on employee suggestion systems.

107. American Optical Company has announced a new one-piece, all plastic safety goggle.

108. International Business Machines Corporation offers a booklet on the use of continuous forms.

109. Edwin F. Guth Company has issued a new booklet on effective office and plant lighting.

110. Remington Rand, Inc. offers a new handbook showing filing costs, broken down in detail and backed by charts, enabling appraisal of your own cost and performance with national average.

111. Vari Color Duplicator Co. New 1951 catalog offered businessmen interested in cutting office printing costs. Duplicators and supplies for all office needs are pictured and described in this catalog.

112. Cleveland Electric Illuminating Company presents a descriptive booklet covering in detail the advantages of locating in the Cleveland-Northeast Ohio area.

113. Metropolitan Life Insurance

Company, Policy Holders Service Bureau has presented a booklet comprising seven case studies on "Management Development". This offers suggestions on keeping your organization young and strong by development of able and well trained management replacements.

KEEPING INFORMED

Informative reports, pamphlets, circulars, etc. which may be of interest to you. Please write directly to the publisher for them. CREDIT and FINANCIAL MANAGEMENT does not have copies available.

Who's Too Old to Work?—An interesting and thought provoking 28 page leaflet. Its purpose is to convince both individual and management logically that many benefits accrue from hiring older workers. Write to the Institute of Labor and Industrial Relations, University of Illinois, Urbana, Ill. Price 10¢.

Property Risks — and Coverages Under Mobilization. This presents a series of talks given at the Insurance Conference of the A.M.A. and covers (1) The Atom- Your Personal and Property Risks (2) New Problems in Transportation Insurance (3) Insurance Problems in a Mobilizing Economy (4) Trends in Group and Social Insurance. American Management Association, 330 W. 42nd St., New York. Price \$1.25.

"Methods of Accounting—and Office Procedure in the Men's and Boy's Clothing Industry" is the first book of its kind for the clothing industry. Write Clothing Manufacturers Association of the U.S. 220 Fifth Avenue, New York, N.Y.

Excess Profits Tax Act of 1950 with Explanation—Contains full text of the Act and excellent explanation of its provisions. Commerce Clearing House, Inc. 214 N. Michigan Ave. Chicago 1, Ill. Price \$1.00.

Life Insurance—Insurance is written in careful but rather complicated language. A 20-page booklet outlining and explaining the provisions found in most of today's policies titled "What's In Your Life Insurance Policy?" Institute of Life Insurance, 488 Madison Avenue, New York. Free.

A program for VOLUNTARY CREDIT RESTRAINT

(Continued from page 14)

Committee in case of the absence of a member or members of the Committee representing such group. In selecting and appointing the members of the Committee and alternates, the Board shall have due regard to fair representation thereon for small, for medium and for large financing institutions, and for different geographical areas.

The Committee's Function

The Committee will:

(a) With such assistance from the Board and the Federal Reserve Banks as may be necessary, distribute this statement of the Program, including the Statement of Principles, to financing institutions to such extent as may be deemed desirable in view of any distribution previously made;

(b) Appoint the subcommittees referred to below in 2;

(c) Meet for the purpose of considering the functioning of the Program, advising the Board with respect thereto, and suggesting for the consideration of the Board such changes in the Program, including the Statement of Principles, as may from time to time appear appropriate. Meetings of the Committee shall be held at the call of an official of the Federal Reserve System, designated by the Board; shall be under the chairmanship of such an official; and an agenda for such meetings shall be prepared by such an official. Full and complete minutes of each meeting shall be made by such an official and copies shall be kept in the files of the Board available for public inspection.

(d) Issue bulletins or memoranda from time to time to the subcommittees or to financing institutions regarding general matters relating to the Program and related credit problems, including statements implementing or clarifying the Statement of Principles, and describing the types of credits which, in the Committee's opinion, should or should not be regarded as proper under the terms of the Program.

(e) Request the chairman of the Committee to designate an employee of the Board of Governors to serve as secretary. Such secretary, in consultation with the chairman of the Committee is authorized to conduct correspondence on behalf of the Committee in conformity with actions taken by the Committee within the scope of the Program.

Subcommittees

2. Subcommittees may be established for each type of financing institution participating in the Program. One of the members of each subcommittee located in any city in which there is a Federal Reserve Bank or branch thereof will be a Federal Reserve representative designated by the Board of Governors of the Federal Reserve System or by such Federal Reserve Bank or branch; and such member shall attend each meeting of the subcommittee. For the investment bankers, the life insurance companies, and the banks there may in each case be one or more subcommittees organized. All such subcommittees will meet only for the purpose specified in the Program; will maintain records of their actions; and will make reports directly to the Committee regarding the actions taken by them, including statements of the types of cases considered and the nature of the advice given. The subcommittees will be available for consultation with individual financing institutions to assist them in determining the application of the Statement of Principles with respect to specific loans for which application has been made to such financing institutions. In consulting with a subcommittee, a financing institution shall not be required to disclose the identity of the applicant for any loan. No financing institution shall be required to consult with any subcommittee with respect to any loan or loans, or any application or applications therefor. Consultation with a subcommittee shall be wholly within the individual and independent discretion of a financing institution. The final decision with

respect to making or refusing to make any particular loan or loans shall likewise remain wholly within the individual and independent discretion of each financing institution, whether or not it has consulted with any of the subcommittees.

Small Institutions Represented

In setting up the subcommittees, the Committee shall have due regard for fair representation thereon for small, for medium and for large financing institutions, and for different geographical areas. It shall also inform the Board of all subcommittee appointments.

The chairman of each subcommittee will be designated by the Committee and in the absence of such chairman, the subcommittee may elect an acting chairman from among its members. The Committee may appoint one or more alternates to serve at the request of the chairman of a subcommittee in case of the absence of a member or members of the subcommittee. The Federal Reserve Bank or branch, as the case may be, may provide an alternate to the subcommittee members designated by it whenever necessary. Each subcommittee may appoint a secretary who may be a member of the subcommittee or otherwise, and he may conduct correspondence on behalf of the subcommittee in conformity with actions taken by the subcommittee within the scope of the Program.

3. The Committee shall be furnished with such compilations of statistical data on extension of credit by financing institutions as may be required to show the amounts and direction of credit use and to watch the operation of the Program. Such statistics shall be compiled by the Board. To assist the Board in making such compilations, data shall be supplied for the investment bankers, jointly by the Investment Bankers Association and the National Association of Securities Dealers, and for the life insurance companies, jointly by the Life Insurance Association of America and the American Life Convention. Compilations of data made by the Board shall not reveal the identity of individual financing institutions or borrowers. Such compilations shall be kept on file with the Board and shall be available for public inspection.

4. Financing institutions participating in the Program will keep records of individual loans, as to purpose, in such form as to be available for future analysis.

5. Any change in the Program, including the Statement of Principles, shall be passed upon by the Committee and shall be made in accordance with the requirements of Section 708 of the Defense Production Act of 1950.

All actions pursuant to and under the Program will be automatically terminated by all participating financing institutions as of the termination of the authority conferred under Section 708 of the Defense Production Act of 1950; or upon withdrawal by the Board of its request for action under the Program. If the Committee, after study of the operation of the Program, concludes that it is no longer necessary or is not making a substantial contribution to the solution of the problem for which the Program was established, it shall so advise the Board.

Sent to All Financing Institutions

This "Request" is addressed to all financing institutions in the United States, including without limitation all individuals, firms, partnerships, corporations and other organizations of any kind which are engaged in the business of extending credit, making loans, or purchasing, discounting, selling, distributing, dealing in, or underwriting securities, any and all of such institutions being hereinafter referred to as "financing institutions."

Pursuant to the provisions of section 708 of the Defense Production Act of 1950 (hereinafter called the "Act") and of section 701 of Executive Order No. 10161, the Board of Governors of the Federal Reserve System consulted with representatives of financing with a view to encouraging the making of voluntary agreements and programs to further the objectives of the Act. As a result of such consultations, such representatives prepared a "Program for Voluntary Credit Restraint," including as a part thereof a Statement of Principles. The Board of Governors approved the Program and found it to be in the public interest as contributing to the national defense. Certain amendments to the Program have

now been suggested by the Voluntary Credit Restraint Committee created under the Program. The Board of Governors of the Federal Reserve System hereby approves these amendments to the Program, approves the Program as thus amended, and finds the Program as thus amended to be in the public interest as contributing to the national defense. The Program as thus amended, which is hereinafter referred to as the "Program," is attached hereto.

Under section 708 of the said Act and section 701 of the said Order, acts or omissions to act pursuant to this Request and the Program which occur while said section 708 is in effect and before the withdrawal of this Request or of the finding of the Board referred to in the preceding paragraph are not construed to be within the prohibitions of the anti-trust laws or of the Federal Trade Commission Act of the United States.

The Board of Governors of the Federal Reserve System has consulted with the Attorney General and with the Chairman of the Federal Trade Commission on and before April 5, 1951, said date being not less than ten days before the date of this Request, with regard to the provisions of the Program, the finding by the Board above mentioned, and this Request; and the Attorney General has approved this Request.

Every financing institution in the United States is hereby requested by the Board of Governors of the Federal Reserve System to act, and to refrain from acting, pursuant to and in accordance with the provisions of the Program. The Voluntary Credit Restraint Committee created pursuant to the provisions of the Program, each and every subcommittee created or to be created pursuant to the provisions of the Program, and each and every individual who is or may become a member of the Voluntary Credit Restraint Committee or of any of said subcommittees are hereby requested by the Board of Governors of the Federal Reserve System to act, and to refrain from acting, pursuant to and in accordance with the provisions of the Program.

By order of the Board of Governors of the Federal Reserve System this 20th day of April, 1951.

What Shall We do in Asia?

(Continued from page 28)

ent and secure Korea, or a secure Japan, or a secure Philippines.

Who is right?

There were three prominent American military men who said nothing could be done: General Stilwell, General Marshall who followed him, and General Barr. But over against them, there's a whole group of just as able men who have just as much information and just as good training—and who say something effective can be done and must be done.

Among them is General MacArthur. He is hardly an arm-chair theorist. Wedemeyer is not an amateur; he succeeded in China precisely where Stilwell had failed. Chennault has a rather good record of doing what other people said couldn't be done.

Seven admirals in succession in charge of our Asiatic Fleet, to a man, said that the job can and must be done—Admiral Yarnell and Admiral Hart before the war; Admiral Barbey, the first one who went in after the war and then was removed because he opposed so outspokenly the reckless policy of turning China over to Soviet control after our men had fought clear across the Pacific to keep Japan from getting China's manpower and resources and developing them against ourselves. He was succeeded by Admiral Kinkaid whose eyes just flashed when he talks about the mess made in China by our Government's policies of negativism and defeatism there. You wouldn't call Kinkaid a know-nothing or just "emotional about Chiang Kai Shek."

He was followed by Admiral Charles "Savvy" Cooke. He's pretty good too, you know—so good that he planned most of the brilliant strategy of our Pacific campaigns. He is so concerned about helping Chinese stop Communist expansion that after retirement from the Navy, he went to Formosa where he is now working as a private citizen to help save an ally he knows is so important to his country. And he was followed by Admiral Badger, and then Admiral Radford, who

urged that we do more than State Department policy would let them.

Thus, on one hand, there are three men who failed in China. They say it can't be done. But, on the other hand, are ten other men, equally able, who succeeded in China. They say it can be done. Whose judgment are you going to take? The judgment of men who failed in a given situation and understandably are defeatist or even bitter? Or the judgment of men who succeeded? I'll take the latter—every time.

If I'm sick, I don't want a doctor who can explain to me why he *can't* get me well. I want one who is determined to find a way to get me well. Otherwise, I want a new doctor.

"Doesn't deserve help"

Another part of the technique of diverting our attention from our own interests is to reiterate that the Government of China (or the Government of Greece, or Iran, or of any country marked for Red conquest—the same line is used everywhere) doesn't deserve our help. The answer is: Of course it doesn't *deserve* our help. Of course, there is no country that *deserves* our help; our Government is not a charitable institution. But the issue is not whether another country deserves our help; it is whether your boy deserves the better chance to live, which finding means to help other peoples defend their own soil will bring him. Otherwise, our American boys will have to fight aggressors—for the sake of our own country's security.

The real issue is whether we are to have four hundred fifty million Chinese on our side against the enemy, or on the enemy's side against us.

Let's not be diverted any longer by the skillful propaganda playing up the weaknesses that exist in other countries and playing down the strengths that also exist there and playing down the importance to ourselves of their being independent of Russian control and friendly to ourselves.

Another miscalculation

May I mention one more miscalculation that led to the Communist victory in China and attack upon

Korea—the notion that the way to get good relations with armed Communism aggression is to give it what it says it wants. How much longer are we to follow that disastrous road—appeasement?

It was tried at Teheran. We gave Russia there what she said she wanted in Eastern Europe.

At Yalta, we gave her the additional things she then wanted.

At Potsdam, we gave her the still more things she then said she wanted.

In China, General Marshall insisted that the Communists get what they said they wanted; a truce and cease-fire by Chinese Government troops, which truce the Reds used to expand their territory five-fold, strict neutrality by America, breaking of our agreements to furnish certain military supplies to the Government forces, the holding of a constitutional convention which the Reds then boycotted, and many other concessions. The policy led, of course, not to peace but to war in China—and to defeat for ourselves and those who were our allies.

Some Americans, and of course Stalin, still contend that we must give the Chinese Communists what they say they now want—Korea, Formosa, and a seat in the United Nations—in order to get "peace" with them. But abandoning Korea to them under something called a "settlement" would not end the conflict; it would merely transfer it to Japan.

Abandoning Formosa to them would not give peace; it would just move the conflict to the Philippines.

Giving them Japan and the Philippines would not solve the problem; it would transfer the line of resistance to Alaska and Hawaii.

Because what they say they want is never what they want. What they want is world conquest. As the Chinese say: The only way you can get unity with a tiger is inside the tiger. There is no peace in appeasement.

Technique of confusion

Another one of their devices for preparing a people for conquest is the creation of confusion. Malik did not get what he *appeared* to want at Lake Success. But he got plenty of what he really was after—confusion.

Communists use the same tricks in every country. They emphasize all the bad conditions there. In ours, it is the Jim-Crowism, the discriminations, the slums, the inadequate education or medical care in some places, etc. etc. There is no society that is not improvable, and the Communists shout about the imperfections more than anybody else. But they don't try to correct them. The last thing they want is to get them eliminated. Then they wouldn't have anything to agitate about. For their purpose is not to remedy the bad conditions; rather, it is to exploit them, to inflame them, to aggravate them, to stir up and divide people, to make them lose faith in themselves and their system of government. The objective is to bring people to despair. Then the Communists can take the country over.

What do we do now?

Well, what can be done about the whole situation? Many things. The first is to Wake Up; to recognize that the Communist world conspiracy is at war with *us*; that *we*, not just Korea and China, or even Europe, are its real target—because our strength is all that stands between it and complete conquest of the world.

The question is no longer, "Shall we strike *first*?" It is too late for us to strike first. The Kremlin has already struck. The question is, "Where and when and how shall we strike back?"

We must recognize that a major measure to prevent Russian aggression in Europe or the Middle East is to prevent the complete subjugation of China, Korea and the rest of Asia. If Russia can get satellites and security all along her Asia front, she can then move all her forces to Europe or the Middle East and confront us with almost unbeatable strength. Therefore, we must compel her to divide her strength and her attention between two widely separated fronts—her east and her west. I cannot believe the hard-headed realists in the Kremlin will get themselves into a two-front war.

Thus, our most immediate concern must be not the war that we might get into in Europe, but the war we are already in in Asia. For the best way to prevent the pos-

sible big war for the world after a while is to win the littler war for Asia now.

How do we do it?

How can we win the war for Asia and the genuine independence of the countries there so that their great potential strength cannot be used by the Kremlin against us? Let me mention a few of the steps.

First, use our own strength where and how it can be used to greatest advantage. That means, insofar as possible, where we are strongest and the enemy weakest—sea and air; and not where we are weakest and the enemy is strongest—on the land.

I opposed our withdrawing all our forces from Korea in June 1949. It just was not decent to pull out on them before they had a chance to build their own defenses. But after they had been withdrawn, inviting the Communists to attack, I opposed sending American ground forces back in. I feared that the political losses of having white men in direct physical combat with men of other races in Asia might outweigh the military gains, even if we should win all the victories.

We can't pull out

But once the decision had been made to send American and United Nations land forces into Korea, naturally I supported the effort fully and believe we should stay on in Korea—if *we can without too great cost*, for three main reasons:

First, because the moral effect on the other nations of Asia would be disastrous if we were just to pull out. They would have no choice but to succumb—and would go down, I fear, like ninepins.

However, if we should be forced by superior strength to withdraw, that need not be fatal. All through history, armies have been defeated and compelled to withdraw from a given operation—not as an end of the struggle, but to change to other strategies or locations in order to wage it more advantageously and successfully.

Second, because 20 million people in South Korea have exhibited magnificent steadfastness and faithfulness to us with almost no defections. All the world should be constantly reminded that several million Kor-

eans voluntarily chose to leave their homes and move south to stay with the supposedly terrible Government of South Korea and ourselves; none have gone from south to north. That reveals eloquently the lies about the Utopia which Communism is supposed to set up. Not what propaganda says, but what did ordinary people do—that is what those on the fence are most likely to believe. Let us exploit that object lesson diligently and not throw our loyal Korean allies to the wolves.

Third, because to tie up and weaken many of the best Chinese Communist units in Korea keeps them from attacking elsewhere and thus buys precious time in which to develop a long overdue plan and program for the other areas of Asia.

The Korea operation does not make sense, in fact, it is criminal sacrifice of American and other lives, unless it is part of a comprehensive strategy for all of east Asia, designed to protect or liberate it from Soviet conquest. Korea can have no real future until the Communist rule across the border in Manchuria is broken.

Support free areas

A second step is to support and build up the strength of the areas still free so that they can defend themselves. In the West, that means western Europe, Turkey, Greece and Yugoslavia. In Asia, it means most immediately Japan, Formosa, and the Philippines. Our choice in Formosa, for example, is not between the present Chinese Government and something better; it is between giving effective aid to the Chinese Government forces and having the Communists take over, which would be infinitely worse. What those fighting for a free China need is not so much *more* aid, as *proper* aid—the kind we gave in Greece. It does not involve American combat troops. When we refuse to give vigorous support to those opposing Communist aggression in Asia, because they do not yet come up to our standards, we actually are intervening decisively in favor of our enemies, the Communists. That is the worst possible alternative.

Third, we must support and build up the anti-Communist resistance movements on the mainland of

China so that they can begin liberating their own country. China is today the weakest spot in the whole Soviet world set-up. Here is the place where we may be able to deliver the strongest blow against the enemy with minimum risk and cost to ourselves. The hundreds of anti-Communist guerilla bands have the chance to do to the Communists exactly what the latter did to the Nationalist forces. Not a mass invasion from Formosa like that from England to Normandy; but harrasing hit-and-run raids on the mainland, airdrops and smuggling of agents, supplies and reinforcements across the channel.

Chinese need assurance

The Chinese people should be told that as they succeed in liberating themselves, province by province, we or the United Nations will help them elect governments of their own choosing — as was done in Greece and Korea. To gain independence promptly for even the three southern provinces of China where the resistance forces are strongest, is the best and cheapest way, perhaps the only way to save Indo-China, Burma the rest of Southeast Asia and India itself. Why are not our most resourceful minds being commissioned to work at this day and night, as MacArthur has urged for so long?

To make the Communist drive in China fail could break the whole movement in Asia. It would shatter the myth of its invincibility, the belief that its victory is inevitable, which belief has had such a paralyzing influence on so many minds ranging from Nehru's to Acheson's.

We cannot liberate the Chinese from without; but we can enable them to liberate themselves from within.

The urgent question is not whether we should help them, but whether and how we can get them into a position to help our side in a world struggle. We must act at once. Given another year, the Reds may be able to liquidate the opposition and then the rest of Asia cannot be saved without our own involvement in combat with terrific cost and losses to ourselves. I do not want to have to send American soldiers into any Asia battlefield.

Whatever the cost of such an ef-

fort now, our choice is not between that and something less; it is between that cost and something more. Let us end the dawdling and day-dreaming of the last five years and get going in earnest. One cannot guarantee that we will succeed if we try, but one can guarantee that we will not succeed if we don't try — immediately.

Such a course is the way of possible peace; not to take it is the way of certain war.

Let's start afresh

If the defeatist and appeaser bloc in the State Department is still trying more to justify its past than to win the future, let us at least demand that a mission of top-notch leaders be sent to Formosa to survey the situation. Much more was known about Western Europe, yet Eisenhower was sent to give us a fresh report. The State Department refused to let Johnson, Pace, Bradley, Dulles, Jessup or any other top leader go to Formosa. Why? When MacArthur went to see for himself, those who oppose any real effort in support of the Chinese violently condemned him. Who is it that is so determined to prevent our succeeding in China and the saving of American lives in Korea which such success in China would bring? We must get our future into the hands of persons more interested in winning victories than in explaining defeats.

Lastly, we must take the offensive and win the ideological struggle in Asia. Why are we so clumsy at that as compared to the Communists when we have so much better a product to sell?

Propaganda—not poverty

Some people say it is poverty that leads to Communism. No, it is Communist agents and propagandists that lead to Communism. They go to the people in poverty or the people who have been discriminated against or the people who live in slums or the people who can't get education; they pick out whatever it is that the people do not have and say: "We'll give you this if you will help us overthrow the bad system under which you live." And if nobody else is on the job pointing out the falsity of their promises or offering a good alterna-

tive, you can hardly blame people for going along with the propagandists.

We must do a better job with our ideas. We can't win this struggle just by holding back the Soviet glacier by force. We have to do that—we can't win unless we do, because once it sweeps over a country, we can't get a chance to use our ideas, no matter how much better they may be. But, while helping hold back the aggression, we must work to win the war of ideas. We've got to present the constructive and better alternatives, and give HOPE!

Why aren't we showing the people in poverty in a hundred ways how Communism, as a remedy for their troubles, is a lie, a fake, a phony! What people has it ever helped get out of their poverty? Not one including the Russians. The only way any people has ever been able to improve its lot for long is by working for its independence and then establishing good government responsible to the people. Why are we not saying to the oppressed millions everywhere, "Strive your utmost to overthrow the tyranny under which you suffer. We will help, within the limits of our capacities. Then, together, we can build a free world and a good society."

The Communists do so much better selling their lies than we do selling the truth. I don't know why. What are we afraid of? What are we ashamed of?

Advertise the truth

Fortunately, we don't have to tell lies about the United States, but we do have to tell the truth. Jesus did not say just "The truth shall make you free." He said, "You shall know the truth, and the truth shall make you free." How can they know the truth unless we tell it and tell it and tell it?

What our nation needs most of all is what Abraham Lincoln prayed for at Gettysburg: "Under God, a new birth of freedom." A new understanding of what freedom really means; a new dedication to it.

We must make our system based on freedom work better here at home and give it a better chance to spread abroad. If we will do these things with vigor and faith and contagious enthusiasm, I believe the tide of tyranny still can be turned.



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